PROBLEMS OF STARTING AN INDUSTRIAL ENTERPRISE

REPORT OF
A SEMINAR
ORGANISED
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OF PUBLIC
ADMINISTRATION
BOMBAY REGIONAL BRANCH
SACHIVALAYA, BOMBAY

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FOREWORD

It was an admirable idea on the part of the Bombay Branch of the Indian Institute of Public Administration to have organised a Seminar on the "Problems of Starting an Industrial Enterprises". I trust this volume which contains the Report of the Seminar held in September, 1960, will convey to the public an idea of the deliberations of the Seminar and the contribution it made to the understanding of the practical problems of administration connected with the starting and promotion of industry. As one intimately associated with the Seminar from its inception, I can bear testimony to the willing response the organisers of the Seminar received from officials and non-officials connected with different aspects of industry. A number of informative and critical papers were specially prepared. These covered a wide ground and gave the participants of valuable insight into the problems of administrative procedures affecting industry. While the papers prepared by officials and those connected with financial and other institutions were marked by an authoritative and lucid exposition of the existing legislation and rules, the papers received from non-officials, including those from bodies like the Chambers of Commerce, were based on wide experience and contained a number of constructive proposals. The Seminar was thus fortunate in getting very useful basic material for lively and fruitful discussion.

I am glad to say that the discussions in the Seminar were conducted in a friendly and constructive spirit and were informed by a sense of responsibility on all sides. There was unmistable evidence of general desire to locate specific defects and to search for practical remedies. I am sure the Report of the Seminar will provide a valuable guide to those interested in rapid and healthy development of industry. The Report should also provide a basis for further investigation into a number of practical problems which those engaged in the promotion of industry are facing today. The summary of Conclusions and Recommendations given in this Report would be of particular interest in this connection. It contains several suggestions for action which deserved to be pursued. I hope these suggestions will be carefully considered by Governments both Central and State, by Municipal Corporations and Banks. Some of these suggestions which offer scope for further study or investigation are being considered by the Bombay Branch of the Institute. The results of these investigations would

An important step in disseminating information relevant to foreign investment in industry and assisting the preparation of project reports for foreign collaboration has been taken in the establishment of the Indian Investment Centre in New Delhi in February, 1961. The foreign investor is interested in information relating to fiscal and industrial policies, economic conditions especially pertaining to industrial growth and profitability and trends in the money and capital markets. The Centre proposes to collect all this information and make it available to foreign investors. Besides functioning as a clearing house for information, the Centre proposes to have a technically qualified staff to assist in the preparation and processing of project reports. The scope for foreign collaboration in industry amply justifies the need for the provision of services such as undertaken by the Centre. In course of time, these services would, no doubt, be extended in accordance with the developing needs of industry.

Indian entrepreneurs, specially, those starting industries for the first time, to enable them to obtain information about policies, procedures and facilities available in different parts in India. These agencies would specialise in the collection of local data alongwith information obtained from the State and national authorities and thereby facilitate the flow of capital to industry. This is a sphere in which the Ministry of Commerce and Industry and the Directorates of Industries in the State can pool their resources to achieve a goal of national importance.

July 1961
Bombay. G. L. MEHTA

CONTENTS

SECTION II

SECTION III

INTRODUCTION

At the Annual General Meeting of the Branch held on the 28th February 1959, it was suggested that the Branch should organise seminars on selected subjects and invite persons who could speak with authority to participate in such seminars. Accordingly, the first seminar on "Problems of Urban Housing" was held by the Branch in September 1959. The Report of this Seminar has been published by the Popular Book Depot, Bombay.

2. In July 1960, the Executive Committee of the Branch decided to organise a Seminar on "Problems of Starting an Industrial Enterprise" and appointed a Steering Committee consisting of Shri G. L. Mehta, Shri R. S. Bhatt and Shri N. S. Pardasani. Shri B. D. Garware, Shri N. D. Sahukar, Shri C. L. Gheevala and Dr. M. R. Mandlekar were coopted on the Committee.

3. Besides members, various Associations and Chambers of Commerce and Industries, Financial Institutions like the Reserve Bank of India, the State Bank of India, the Industrial Credit and Investment Corporation of India, and the Departments of the Central and State Governments connected with industries were invited to participate in the seminar by sending representatives and by contributing papers. A list of bodies and their representatives and other invitees who participated in the deliberations of the Seminar is given in the Appendix to this volume. Seventeen papers were received for the Seminar and circulated among the participants. These have been reproduced in Part II of this volume.

4. The Seminar was held on the 24th and 25th September, 1960, at the Sachivalaya, Bombay, under the Directorship of Shri G. L. Mehta. The Seminar was inaugurated by Shri Y. B. Chavan, Chief Minister of Maharashtra. The Seminar was mainly concerned with the consideration of procedural difficulties and delays experienced by entrepreneurs in starting new industrial units or in expansion of existing units. For the purpose of discussion, the subject was divided in the following three sections.

I — *Promotion:* Registration, Industrial Licensing, Import Licence, Capital Issue, Long Term Finance, Foreign Exchange, Technical know-how, and Terms of Collaboration with Foreigners.

II — *Construction:* Location, Land, Building materials, Power and Fuel, Equipment and other services.

III — *Operation:* Raw materials, Labour, Transport, Marketing and Working Capital.

The following persons were appointed as rapporteurs at the Seminar.

Section I — Shri L. A. E. Colaco

Section II — Dr. M. R. Mandlekar

Section III — Shri K. V. Seshadri

The discussions on the three sections were held in succession to enable all the participants to consider the problems in a connected manner. At the end, there was a general session in which the conclusions reached in the earlier discussion were summarised by the rapporteurs and the Director of the Seminar made certain concluding observations.

WELCOME SPEECH

by

SHRI G. L. MEHTA,

Director of the Seminar

Shri Yeshwantrao Chavan, Shri Wankhede and friends, I consider it a privilege and a great pleasure to welcome you all to this inaugural session of the Seminar on "Problems of Starting an Industrial Enterprise" which has been organized by the Bombay Branch of the Indian Institute of Public Administration. On behalf of the Branch and on my own behalf, I thank you all for your ready response to our invitation. We are specially beholden to you, Sir, for having spared the time to be present here this afternoon. I know I am voicing the sentiments of all those who have gathered here today when I say how grateful we are to you for agreeing to inaugurate these proceedings. That in addition to the heavy responsibility of your office as the Chief Minister of the new State of Maharashtra, you should have to undertake to shoulder personally the responsibility of looking after Industries is a clear indication of the importance you attach to the problem of industrial development in the State. We, therefore, hope that the proceedings of the Seminar will be of more than ordinary interest to you. I also trust that our efforts will be worthy of the encouragement we have received at your hands.

We have gathered here today to discuss the problems of starting an industrial enterprise in this country. There is a strong feeling, based largely on experience, that starting an industry in this country has become a complicated matter with varied and intricate procedures to be followed at every stage. With the growth of legislation relating to industries and labour and the introduction of administrative measures to regulate the supply of essential requirements of industry, this feeling has grown stronger in recent years. It is, therefore, necessary for us to examine how far this feeling is justified and why the causes responsible for it cannot be removed. In doing so, we have also to remind ourselves that after the advent of Independence, and more particularly after the introduction of Five Year Plans, altogether new and almost unlimited opportunities have been opened for rapid and all round development of industries in the country. These

opportunities, I suggest, would compare favourably with opportunities available in other countries today and are a challenge to our spirit of enterprise and our capacity for organizing available resources to build up a sound industrial structure for our country. The general atmosphere for development of industries is more favourable than it has been for the last few years. The Second Five Year Plan, as also the Draft Third Plan, has given a very high priority to industrialization. In fact, the very size and diversity of our industrial programme provide the main cause of our problems. Those who are directly engaged in the task of industrialization naturally feel somewhat irritated and frustrated by the restrictions and delays and occasional failures of the administrative machinery to cope with the practical problem which arise from day to day. It is not, however, always realized that these problems are, to some extent, unavoidable specially if we want planned development of our resources. The problem is how far, and to what extent, procedural difficulties can be overcome and minimized within the framework of a planned economy. The Plan has to be implemented through controls and regulations as well as incentives. Industrial policy operates within the framework of measures regulating and controlling industries as well as those governing investment in industry. There are various measures such as the Industries (Development and Regulation) Act, 1951, the Joint Stock Companies Act 1956, Capital Issues Control, Import Control, Exchange Regulations, etc. On the other hand, there are various provisions under the Income Tax Act and other Finance Acts like those for development rebate, exemption of profits to a limit for the first six years for a new enterprise, special depreciation allowance, etc. In other words, the policy operates both through incentives and restrictions. Both these in various degrees are essential for planning, although where we want increased production all round, the emphasis should be on positive measures rather than on prohibitions and bans. The important point about such regulations as industries licensing is the necessity of balancing various factors involved in a decision which I am afraid the public or the industrialists do not always recognise. There is also considerable latitude and discretion in official hands. The result is that questions are frequently decided owing to pressures rather than merits. This may be unavoidable but care should be taken to see that decisions are as impartial as is humanly possible. It is not always easy to distinguish between discretion and caprice and we should, therefore, be careful where power is in the hands of a few people to determine large economic issues. It is superficial to condemn or to approve controls as such. We have to consider which controls are necessary and at what stage, what are their precise objectives, what should

be their scope and limitations in time as well as in operation, how do they actually operate and who operates them.

Although substantial progress has been made in several industries, the leeway that is still to be made up is so great that there is no room for complacency. We should, however, recognise that the problems with which we are faced today are essentially problems of growth which it is our duty as well as our privilege to own and face. If they are recognised as such and dealt with in a spirit of mutual understanding, there is no reason why they cannot be solved. This can, however, be done by a careful study of the specific difficulties met with by industrialists in search of practical solutions which also fit in with the overall objectives of the development of our national economy. The Bombay Branch of the Indian Institute of Public Administration has taken the initiative to organize the seminar and has thus provided a welcome opportunity to all those who are interested in the subject. It is a matter of considerable satisfaction that we have here today a representative gathering of those engaged in industry and commerce, those connected with finance of industry and those in charge of various official agencies concerned with assisting or regulating the development of industries at Government and local body levels. I am confident that this seminar will make an appreciable contribution to the study of the various problems and help in organizing our thinking on constructive lines.

The Indian Institute of Public Administration is a body set up with the object of fostering a study of the different aspects of Public Administration. It is only by a thorough and careful discussion of concrete problems that administrative efficiency can be improved. I hope all those participating in the Seminar will feel free to offer concrete and constructive suggestions for changes in administrative arrangements at different levels. I further trust that the discussion will not be allowed to rest with the conclusion of the Seminar. I am glad to say that the organizers of the Seminar have already in view a further study as a follow-up of the discussions in the Seminar. We may, therefore, look forward to a useful report being brought out on the subject. Incidentally, last year a similar seminar on problems of urban housing was arranged and organized and a book on the subject has just been brought out and we hope that we shall also be able to bring out a volume which would be useful.

I should now like to say a word about the scope of the Seminar and the nature of the problems which we propose to discuss. The question of industrial development in general is a wide one and raises a number of important issues affecting the entire process of development. As I have already said, it has to

be visualised in the framework of a national plan of development and this presupposes the determination of priorities between industry and other alternative aspects of development, between different types of industries and between different regions suited for development. The requirements of capital, plant, skills and raw materials have to be considered in the light of total availabilities and policies laid down for allocation of resources to different uses. Problems of administration relating to industries are thus directly derived from the changing requirements of policy which, in turn, have to be periodically adjusted to social needs.

Last year, I spoke at the seminar organized by the Federation of Indian Chambers of Commerce and Industry on some lessons of the Second Plan when I said that the old Calvinist belief that time is money created to encourage budding capitalism is not less true for India, striving against time to create socialism in a threatening world. Some discussion of policies is, therefore, essential for an understanding of the procedures adopted. It is, however, necessary for us to concentrate on the study of practical difficulties and defects in procedures which are remediable and which, if corrected, would give an impetus to the development of industries. What we should aim at is specific delegation of responsibility, diffusion of information about procedures, clarity and promptitude in decisions.

The difficulty is that the outside public does not always recognise that an administrator has to arrive at his decision after balancing several factors. If I apply for something and my application is not entertained, the tendency in our country is to malign the official concerned and say that there has been extraneous influence or undue pressure or something worse. All delays we are apt to attribute to "red-tape". But we might remember that even red-tape has its uses — not merely to tie up files but also because when administrative decisions are taken, there has to be some coordination — a certain unity in policy. One has to look, therefore, to various precedents and also see that no bad precedents are created. All this requires time. One should not therefore, rush to the conclusion, because there is some slight delay or because there is some consultation between the different Ministries or Departments, that there is unnecessary dilatoriness. After all, in an administration decisions cannot always be taken as quickly as one can do in one's own business or industry. And even that is difficult now-a-days. The reason is obvious; several departments have to be consulted. While an industrialist has to consider his firm's interest, Government have to consider public interest which is a complex matter. Besides, these problems might concern one State and another State or the State and the Centre.

Leaving aside these issues, Government have to see the whole policy in a certain perspective. We should, therefore, recognise that as in business or industry certain routines or procedures are unavoidable in Government. But the public have a right to expect that people who want information know where they should go. Secondly, that such information is as clear and precise as possible. Thirdly, decisions should also be clear and, as far as possible prompt. These are requirements which we can legitimately ask for. For this purpose, decentralization and devolution are useful. A French philosopher said that 'over-centralization leads to anaemia at the extremities and apoplexy at the centre." One should not over-burden people at the top. It is true that people below might commit mistakes but that is how they will learn. People above can also make mistakes. So far as the seminar is concerned, the practical problems have been divided in three sections according as they relate to promotion, construction or operation of an enterprise.

I should like to take this opportunity to thank and congratulate all those who have contributed papers for the Seminar. I may tell the Hon. Chief Minister and the Hon. Finance Minister that some of these papers are quite useful and considerable amount of care has been taken in preparing them. We hope that as a result of discussions here these papers will be collated and some useful conclusions will emerge. Considerable industry has obviously gone into the preparation of these papers which provide valuable material for discussion. There is, I am glad to say, a general agreement as to the objectives and a definite recognition of the framework of planning within which we have to operate. There is also a significant measure of agreement among the contributors regarding the existence of certain defects. The papers prepared by officials give a comprehensive and lucid account of the procedures prescribed. It is a welcome sign that officials no less than non-officials are dissatisfied with the present arrangements and suggestions have come from all quarters regarding the need for changes. What kind of changes are necessary, how far they are practicable and how far they will really improve matters are questions which we have to examine, and not only examine in this Seminar, but also follow up in the discussions with the proper authorities both in the State and at the Centre, so that we could make our way into this jumble of regulations and rules.

In many papers, a number of concrete illustrations of delay, duplication and unnecessary harassment have been given. Some very useful suggestions have also been made to remove some of the existing difficulties. Some of these relate to a clearer and more consistent formulation of policies; others refer to simplification of rules and forms, avoidance of unnecessary returns, a more

organized dissemination of information in different centres, establisment of liaison between agencies and better coordination of different authorities in charge of regulation. All those suggestions require careful and detailed consideration. I do not propose to elaborate on these at this stage.

I should now like to conclude by thanking you again, Sir, for having honoured us by your presence. May I now request you to inaugurate the Seminar?

INAUGURAL ADDREES

by

SHRI Y. B. CHAVAN,

Chief Minister of Maharashtra

Shri Mehta and Friends, I must thank the Institute for extending an invitation to me to inaugurate this seminar. While agreeing to do so, I was thinking of making a prepared speech, but on second thoughts I changed my mind and I want to make an extempore speech, as the chain of thoughts comes to my mind.

I must say that those who have organized a seminar of this kind have done so at an opportune time. When the whole country is preparing feverishly for the Third Five Year Plan, those connected with the administration and industries are very much in a mood to think how they can promote industry in the best possible manner and, therefore, it is very appropriate that the Institute of Public Administration has organized this Seminar where representatives of the both sides, industry and administration can come together in a seminar like this and take decisions and quietly and objectively apply their minds to the issues involved and arrive at certain conclusions.

The problems that will have to be thought of for starting industrial enterprise are manifold. I personally liked to go through the papers which came into my hands during the last two or three days and I find that those who have taken the trouble of preparing the papers have certainly done a very useful job. I do not know exactly the scope of this discussion, but I personally would like to express my views regarding some of the problems in the sphere of the State, which one has to face.

I personally come across a large number of smaller men who are not connected in any way with manufacturing or industry but who have got the desire and means to go into the industrial field and they do not know how to proceed. Those who have got experience have told me that sometimes it is easy to have technical know-how but it is rather difficult to have the procedural know-how. I am afraid, even though I am in charge of the Department of Industries for the last six months, I do not think I am in

any way wiser than what I was six months before. There is a reason for this. In most of these things, in matters of decision of policy, the State Department has to do very little except to encourage people in a general way and wish them good luck, but even in that field it would be better if we can guide them properly. It is most important for us at the State level that we can properly guide people who are not in the field of manufacturing or industry at the present moment, and I must say, if I am not introducing any unnecessary controversial element in the scope of discussion of this seminar, it is quite necessary that, for industrial development, the new people and the smaller people should have their own share in the industrial development of this country; otherwise there would be an unhealthy atmosphere for the future development of the country, but it is not my intention to emphasise that point because this is possibly not the intention and scope of this seminar. Therefore, it becomes necessary for those who are in the administration to advise properly this new type of people who want to go into new industries. I feel that in the smaller towns the smaller men must do something in the matter. They must take their own share in the development of this country. They want to do something but beyond that they cannot do anything. They do not know what is to be done and, therefore, I am sure this seminar will also be in a position to guide these sections of society which, I think, are very important sections.

Then there is another aspect. I saw one note which says that there are three important stages that one has to go through — one to get licence, the other is to secure foreign exchange and the third, the difficult task of fixing up the terms and choosing collaboration. The first is the most important; there is no doubt about it, but have we not reached a stage when in some matters the other two stages can be avoided? In the case of small industries, can we not start thinking in such terms and go ahead in certain matters? I say so because I find that, particularly in the rural areas, it is very difficult to comply with these two stages, because possibly they are not economically sound. Can we not encourage the local people so that they may take advantage of the resources, materials, etc. which are available without going into the complications of these two important stages which I have referred to? Can they not start something which will be useful to them? This is another aspect which, I hope, your seminar might like to go into. So far as I am concerned there is no doubt that these two stages are important when we want to adopt the promotional attitude which you have emphasised in your speech. There was a feeling that we are lacking in that positive attitude of helping the people, but I can assure you that in our State and

in the field of the administration of our State we are determined to see that we take advantage of the atmosphere, the climate, etc. of promotion into consideration. But sometimes I find that it becomes a sort of wishful thinking because merely thinking in terms of promotion does not always lead us anywhere. Therefore some kind of help of the type which you are undertaking by organizing this seminar is very much needed. It will go to educate these people and fill up the gap which they were feeling.

Well, Mr. Mehta, I do not propose to take much of your time. I can only tell you that I shall stand benefitted by your decisions and when I get hold of your conclusions, I can assure you on behalf of the State that I shall leave no stone unturned in considering your conclusions. Thank you very much.

SUMMARY OF DISCUSSION

SECTION I: — *Promotion: Registration, Industrial Licensing, Import Licence, Capital Issue, Long Term Finance, Foreign Exchange, Technical Know-how, and Terms of Collaboration with Foreigners.*

Initiating the discussion, *Shri C. L. Gheevala* observed that in the context of our planned programme of economic development a good deal of investment was taking place in industries both in the private and public sectors; and added that a large number of industries, big or small, encountered numerous difficulties in regard to the existing rules and regulations and other formalities and procedures laid down by Government from time to time. He referred to the following difficulties.

(a) *Registration* — The main difficulty experienced in this connection related to the exhaustive forms prescribed under the rules for the purpose of furnishing, statistical information regarding production, employment, hours of work, etc. to the Development Wing of the Ministry of Commerce and Industry and other departments of Government. It imposed a lot of clerical work upon the industrialists. He suggested that a standardised form asking for information which would be useful to various departments of Government, should be evolved so that the need to fill in a large number of forms was avoided, thereby minimising a great deal of clerical work.

(b) Industrial Licensing — In spite of certain steps recently taken by Government for quick disposal of applications for industrial licences, frustrating delays were experienced by the promotors of industries. The situation was accentuated by a rapid increase in the number of applications for licences. As a result of delays, the promotors were put in needless suspense and anxiety and were prevented from pursuing their propositions vigorously. He made the following suggestions to reduce delays:—

(i) The staff of the Development Wing should be strengthened with persons having requisite technical qualifications and reasonable knowledge of finance and business methods of industries.

(ii) The Development Wing should have all the information in regard to changes or modifications in policy of Government, so as to be in a position to guide and advise the applicants properly, whenever the latter had to furnish additional information or to effect any alterations in the industrial proposition.

(iii) There should be more coordination among the Government Departments concerned with the processing and examination of application for licences. There was, in particular, need for collation of up to date information in regard to all industries so that additional capacity in any industry might not be sanctioned in cases where the demand for the product did not justify such addition and application for additional capacity might not be turned down in cases where addition was warranted.

He referred to cases of people who got licences sat tight over them with the result that persons who were really anxious to start industries did not get an opportunity to do so. He suggested that in such cases, it should be possible to withdraw such licences after giving due notice. For removal of other difficulties experienced by industries, the opinions expressed by bodies like the Federation of Indian Chambers of Commerce and Industry should be publicised, and the information received should be utilised for securing removal of the causes for delay. There should be closer liaison between the Development Wing and the commercial organisations so as to post the latter with all information and particulars concerning the promotion of new industries and the expansion of existing units.

(c) *Import Licences* — There was no proper coordination between the Development Wing and the Import Control Authority, as a result of which sometimes components and spares required for operation of plant and machinery already installed were not allowed in certain cases. It was, therefore, desirable that while considering applications for industrial licences the requirement of industrial units for components and spare parts as also for raw materials should be properly assessed and permission for their import granted.

(d) *Long Term Finance* — It was suggested that the Banks and the Life Insurance Corporation should play a more important and useful part in the rapid industrialization of country by giving credit facilities.

(e) *Foreign Exchange* — The difficulties that were usually experienced were that the procedure involved in getting sanction for the foreign exchange component of any scheme was very cum-

bersome and tardy and that the applicants were put to a lot of inconvenience by being obliged to contact and correspond with the authorities very often. The Development Wing would not expedite consideration of the technical aspects of the scheme and the Capital Goods Committee would take long time in screening applications and putting up their recommendations. It was, therefore, necessary that delays in screening and examination should be reduced to the minimum. Cases involving medium-term credit should be more liberally considered than at present, if there were reasonable chances that the product manufactured therefrom could find an export market and earn foreign exchange in the near future.

(f) *Technical Know-how* — The general difficulty in regard to schemes involving foreign collaboration, was that, on the one hand, foreign firms were unwilling to conclude terms of collaboration unless they were given an assurance beforehand that the same would be acceptable to the Government of India, and on the other, schemes involving foreign collaboration were not approved by the Government of India unless they had an apportunity to examine the terms of collaboration from different aspects. This point required consideration so as to lay down some procedure whereby the Government of India would accord general approval to foreign collaboration subject, if necessary, to certain conditions being fulfilled.

Shri N. D. Sahukar complained that there was laxity in enforcement of the law relating to issue and withdrawal of licences; and suggested that licences should be granted only in genuine cases. He also pointed out that there was a considerable time lag, of as much as two years, between the procurement of the licence under the Industries (Development and Regulation) Act and the procurement of the licence under the Capital Goods Licensing Act and suggested that granting of both the Capital Goods Licences and the Industrial Licence should be considered simultaneously and if some time lag was unavoidable it should not exceed three months in any case. He also mentioned the difficulties experienced by a promotor in dealing with Local and State officials. He had to apply to a multiplicity of authorities like the Director of Industries, the Chief Inspector of Factories, departments of Local Body connected with industries. He suggested that a set form should be devised to enable an applicant to submit copies of it to all these agencies which might sit together once or twice a month to consider applications.

Shri R. S. Pochkhanawala referred to the activities of the Bombay State Financial Corporation which generally catered to the needs of long and medium term finance for industries for ac-

quiring land, for construction of buildings or for purchase of capital goods or machinery. He described in detail the procedures followed by the Corporation in considering applications for loans and disbursing the loan amounts and stated that every effort was being made to simplify the form and cut out all avoidable delays. When an application was received by the Corporation for a loan, detailed inquiries were made in discussion, if the party was available in or near Bombay or through correspondence, otherwise, to collect the necessary information about the enterprise as quickly as possible. The next stage was the consideration of the technical report from the Director of Industries of the State Government on the enterprise. The accounts, past performance and managerial abilities of the firm had also to be examined before a decision could be taken.

When a loan applied for was sanctioned, the question of paying the amount to the party received careful attention. As the loans were given for purchase of land or machinery or for construction of building, every precaution was taken to see that the object in view would be fulfilled expeditiously. For example, care was taken to see that the title to the land was clear, that the necessary municipal permission for construction was obtained and that building materials and the machinery were available locally. Where the machinery was imported, payment was made direct to the Bank which received the bill of lading. Sometimes there was delay in making payment because all these conditions were not fulfilled or certain information or explanation called for was not readily available.

He further stated that recently the Corporation had started underwriting of shares. The principal criterion adopted for consideration of applications of industries in this connection was that the scheme should be sound and its working normal. About eight scheduled Banks and their branches had been appointed as agents of the Corporation for this purpose.

Shri B. R. Sabade referred to some aspects of foreign collaboration in the promotion of industries and observed that though Government had laid down the policy of not disturbing indigenous enterprises while granting licences for foreign collaboration, in practice due importance was not being given to the development of indigenous industries. He invited attention to the following points put forward in his paper.

(a) In some cases licences were given to foreign collaborated units for establishing in this country industries which had already been developed in the face of very difficult circumstances. As most of these industries were in the process of further

development and research, they were unable to stand the competition of foreign corners with vast financial and technical resources at their command.

(b) In giving licences to foreign collaborated units, indigenous manufacturers in the same line of production were not consulted nor were they asked to step up their production to meet the increased demand.

(c) The domestic producer was not given preferential or even equal treatment as compared with the foreign collaborated unit. The foreign collaborated unit generally manufactured a wide range of products, marketed the competitive items at cut-throat prices and was still in a position to make profits through items which faced no competition. Government neither gave protection to indigenous units by way of differential excises nor did it allow the small units to produce other products in the range to enable it to compete with the foreign collaborated unit.

(d) The contention that foreign collaboration always brought technical know-how to the country had not been proved, since in some instances foreign collaboration was licensed even for the manufacture of products of known reactions.

He, therefore, made the following suggestions:—

(a) Foreign collaboration should be allowed only in specialised industries requiring a high degree of technical know-how and skill and which had not so far been developed in the country.

(b) In all cases of permission for foreign collaboration the indigenous manufacturer should first be consulted and encouraged to expand his production.

(c) If a licence was given to foreign collaborated unit, a fair field should always be reserved for the operation of the indigenous manufacturer in the same line.

(d) Care should be taken to see that indigenous units were not weeded out by unfair competition from foreign collaborated firms.

Dr R. J. Rathi observed that people in this country had a mistaken idea that whenever a manufacturing unit was set up with foreign collaboration, it must be successful. He narrated the experience of Du Pont, a chemical firm in the United States, and suggested that one should not be enamoured of foreign collaboration but instead should go into details to find out whether the foreign collaboration was really going to assist in the production of the commodity right from its source.

Shri J. V. Patel observed that the administration of laws relating to industry was entrusted to a number of officers who had

different attitudes. Some officers adopted a positive and helpful attitude while others were not so imbued. If the laws were administered in a proper way, in the spirit of service to industry or country, there would not be much difficulty. He gave concrete illustrations to bring out the difficulties and delays he personally experienced in obtaining industrial licences, registering a company, securing import licence, getting approval to houses built for employees, etc. and stressed the view that, on the whole, the industrialists in the private sector had to function under many handicaps.

Shri Prabhu V. Mehta observed that in the absence of reliable statistics relating to consumption considerable difficulty was experienced by the entrepreneurs in selecting the kind of industry he should promote. In this connection he commended the methods adopted by the Department of Commerce in the United States, which issued pamphlets periodically, giving detailed information and guidance to the entrepreneurs in regard to consumers' behaviour, the nature of production and other material relevant to the location of industries.

Shri L. A. E. Colaco dealt with some aspects relating to problems of an entrepreneur in connection with the assistance from the financial institutions either in the form of loan or underwriting. He observed that the problems and the criteria were generally the same whether it was a rupee loan or foreign exchange loan except that in the case of a foreign exchange loan, the consent of the Reserve Bank of India was necessary. He referred to the vicious circle with regard to the latter faced by an entrepreneur. Though the priliminary consents of the Government of India were obtained to start the industrial entreprise, the loan sanctioned could not be availed of because the Reserve Bank's permission was necessary which would be given only when an import licence was obtained. The Reserve Bank would give the consent when Government issues a letter of intent to give such Import Licence but such letter of intent is also not easy to obtain.

He also mentioned the difficulties experienced in underwriting and stated that the controversy on the question of deduction of tax on preference capital should be solved so that a company would not have any difficulty in obtaining underwriting facilities. Regarding the prospectus, he stated that the company and the underwriters had often to face a very difficult question as to whether a full and complete prospectus had to be published in the newspapers, which, perhaps, was not permissible under the Companies Act but the Underwriters permitted it provided such publication was the responsibility of the Company. In this matter,

he added, the Company Law Administration had not taken steps to clarify the position inspite of representations said to have been made.

Shri A. T. Pathak remarked, on the basis of his own experience. that too many conditions were put before the small-scale industries by Government in respect of loans which were often sanctioned after a considerable delay and that the factory-owners were put to hardships and unnecessary expenditure because too many officers from the Department of Industries collected the same information again and again. He suggested that the department concerned should work out a better procedure with a view to avoid duplication of its work and consequent hardships to the factory-owners.

Shri R. D. Pusalkar observed that a number of difficulties arose because of the ignorance of the provisions under the various rules and regulations and, in that connection, commended the step taken by the Director of Industries, Maharashtra State, in appointing a Liaison Officer to supply information regarding the formalities to be gone through, forms to be filled in, authorities to be contacted, etc. He emphasised the point made by Shri J. V. Patel that though greater regard should be shown to the provisions of various rules and regulations. the general approach of the officers administering them should be constructive in order to avoid frustration among the entrepreneurs. To avoid delay in issuing licences, he suggested that instead of a number of officers examining different aspects of an application for a licence one after another, one officer should be entrusted with the examination of all aspects of the application.

He also suggested that before a licence was issued, background and antecedents of the applicant should be gone into, as there were many cases where though licences were issued, the person concerned would not start the industry even after a period of three to four years. In his opinion, the statistics regarding industrial capacity were at times inadequate and it was necessary to apply some type of corrective to them.

Shri Pusalkar replied at length to the points made by Shri B. R. Sabade regarding some aspects of foreign collaboration and stated that it was hard to understand the grievances ventilated by him. The Licensing Committee did go into the merits of each individual proposal of foreign collaboration very thoroughly as to the industrial capacity and the justification for foreign exchange expenditure. By and large, the policy was strict and unless the Committee was convinced about the necessity of starting an industry with foreign collaboration, licences were not given. He opposed the suggestion made by Shri Sabade that indigeneous in-

dustry should be consulted before licences were given to foreign collaborated units, on the ground that such step would encourage monopolistic tendencies and would not be in the interest of consumers, though it would, to some extent, help the growth of indigenous industry. He felt that no special considerations were shown to foreign collaborated units apart from the terms and conditions which had to be agreed with the foreigners. If it was possible, he continued, to expedite setting up of industries and speed up production with these terms and conditions, there was no harm in encouraging foreing collaboration and enterprise. He observed that there was sometimes too much rigidity in the sanctioning of these terms and conditions which hampered enterprise.

Shri H. N. Khira referred to the remarks by Shri R. S. Pochkhanawala and stated that the application form required to be filled in for obtaining loan from the Bombay State Financial Corporation was very lengthy and elaborate and took long time for completion. He thought it was essential to cut down many of the irrelevant details in that form. He made the suggestions that (i) all State Financial Corporations should assist industries by advancing loans to the extent of sixty per cent of value of the fixed assets and (ii) there should be more coordination among the various financial institutions which gave different types of credit to industry on mortgage of fixed assets, moveable assets and the raw materials in regard to the form of the mortgage deed.

Shri D. Chatterjie stated that all rules and regulations relating to import trade were compiled in one book, a small portion of which gave a complete picture of the basic procedural matters. He remarked that if the people gave Income Tax Verification numbers in their applications, paid the requisite fees, attached the treasury receipts to the applications and, whenever necessary, enclosed an essentiality certificate along with the application, there would not be any delay in issuing import licences. If, however, the applicant failed to do any of these things, delay was inevitable. He also mentioned the fact that the Import Trade Control Department did not receive applications evenly throughout the year but mostly on the closing days of the period. Most of the applications were disposed of within a short time and only those which required detailed examination were referred to the Expert Committee for consideration. If the Committee approved the application, the licence was issued and if not, it was rejected. Only in such cases delay was involved, as the Import Trade Control Department on its own did not reject any application. He mentioned that whenever any defects in procedural matters were pointed out, the Department was very quick to put them right.

To the question from the Chairman as to whether the Import Trade Control Department had implemented the recom-

mendation regarding the certain measure of consultation with trade and industry made by the Committee appointed by the Ministry of Commerce and Industry of the Government of India a few years ago, Shri Chatterjie replied in the affirmative.

Dr. V. K. Ramaswami offered clarifications regarding the points raised by speakers about Government policy and procedures in issuing industrial licences and sanctioning of foreign exchange. He explained that the main cause of delay in licensing of capital goods was the prevailing shortage of foreign exchange. Import of capital goods was, therefore, to be footed against special business arrangements. The Industrial Credit and Investment Corporation of India to which loans were given by the World Bank could give foreign exchange loans. If a party had been able to get a loan from the I.C.I.C.I., Government was quick in giving clearance to the applicant. In the first one or two cases of such foreign exchange loans by the I.C.I.C.I. there was delay in issuing import licences because the draft agreement had to be scrutinised by Government. That particular difficulty had since been got over by standardising the agreement form and, unless there was any special feature in a particular loan agreement, the agreement was generally approved more or less automatically.

He further clarified that the issue of an import licence necessarily took time because an application for import licence had to be accompanied by a very detailed list of items proposed to be imported and the Development Wing had to make sure that nothing that was proposed to be imported could be had indigenously. In case of a major scheme involving import of equipment worth Rs. 2 to 3 crores, the party concerned would not generally want to be tied down right at the very beginning to an import licence containing detailed specifications for all equipment. It preferred to give specifications after its engineers had worked out further details in consultation with their collaborators. Government had, therefore, adopted a general procedure of issuing letters stating that import licence of such and such value would be issued, thus giving clearance in principle as a step in advance of the issue of the actual import licence.

Regarding the suggestion that an application for import licence for equipment should be taken up when issue of industrial licence was under consideration, he replied that would be practicable only in very few cases where promise of investment from abroad was received. In most of the cases, however, there was no assurance of foreign loan; the party might, therefore, be advised by Government, if it was a big scheme, to raise for itself a loan abroad from the Development Loan Fund or some such institution and if it was a small scheme, the party concerned could go to the National Investment Corporation. In all these

cases, if the negotiations had been satisfactorily carried out, Government could do the needful by giving foreign exchange clearance, even if the formal grant of import licence was likely to take a couple of months. He stated that this method was better than rejecting the application which would remove all accusations for delay. Government, he added, did its best to assist entrepreneurs who had concrete schemes and lines of credit available.

He, however, agreed that there was some room for reducing delays in dealing with certain types of cases and suggested that applicant should give fuller and more definite information about their foreign exchange requirements indicating where they would like to buy their equipment and show also the order preference. While delays at Government level could certainly be cut down with regard to issue of capital goods licences, a certain measure of delay was inevitable on account of shortage of foreign exchange and the sources of foreign finance for the import of capital goods with which we were likely to be faced for the next few years. He agreed that some improvement could be made by better coordination between the Development Wing and the Import Control Authorities.

The Chairman referred to the complaints that sometimes component parts were not allowed to be imported by Government and that there were certain instances where an industrial licence was given but an import licence was refused. He inquired whether, if this was true, it meant that Government had second thoughts as to whether they should allow import of machinery or plant.

Shri N. D. Sahukar asked how it happened that though he had been given a industrial licence against his application which showed that import of capital goods of value Rs. 2½ lakhs was envisaged, an import licence was issued after a period of more than a year for capital goods worth Rs. 50,000 only.

Dr. Ramaswami explained that it was not that a decision taken by the Licensing Committee was reversed but the fact was that when an application for industrial licence was considered, the details of foreign exchange proposed to be spent on the import of equipment were not scrutinised so that later when an application for import licence was examined, a view might be taken that when there was extremely little foreign exchange for capital goods from which even essential balancing equipment could not be financed, foreign exchange to implement certain schemes of relatively low priority which had received licences under the Industries Act could not be found from the trade resources, and that these schemes might wait for six months or a

year or get the equipment in a way which put little burden on the country's foreign exchange or if it was an existing firm, export a part of its production till it earned foreign exchange.

Shri D. Hejmadi clarified the policy of Government regarding the following points raised in the course of discussion about the licensing procedure.

(a) Government has taken a number of steps to expedite licensing and to eliminate delays. Though under the rules, a licence had to be issued within three months, very often it took much more time than that. When technical officers noticed that some information which was vital for examination was not given in the application or further information was necessary for examination, they asked for it and if reply was not received quickly, there was delay.

(b) As a number of licences remained without being given effect to, Government reviewed the licensing policy from time to time. It was very difficult for Government to revoke a licence once it had been given without consulting the person concerned and giving him the fullest opportunity to place all the facts and show cause why it should not be revoked. A large number of such licences were revoked during the last few years and the process of scrutinizing the progress of implementation continued all the time.

(c) It was not possible for Government to go into the background of persons who applied for industrial licences. An opportunity was given to any one who came forward with a scheme and had energy to go ahead.

(d) Recently, Government circulated to Indian Chambers of Commerce and Industry a list of industries for which licences would be granted and also a list of industries for which licences would not be granted. These lists were under constant review and it was proposed to issue revised lists every six months. It was suggested that before launching a long term programme, people should consult the officer concerned who was constantly reviewing these lists.

(e) Regarding the contention that licences were refused because by the licences already granted industrial capacity was likely to be fulfilled, it was stated that though the Licensing Committee took into account the targets laid down, in practice wide margins were left and there was, therefore, no rigidity in the matter.

A member asked whether the Development Wing had its own screening machinery or simply relied upon the reports of the Director of Industries of the State concerned and if it had its machinery, what were the criteria applied to revocation of licences.

Shri Hejmadi replied that the Development Wing had its screening machinery for detailed examination of schemes and the reports of the Director of Industries of the State concerned were taken into account but were not solely relied upon. About the second point, he stated that six months after the issue of industrial licence, a show-cause notice was issued to a party who had not taken any step to start the industry, asking him to show why the licence should not be revoked. If the party was not in a position to show any kind of evidence either by way of placing order for plants and machinery or purchase of land, etc. for implementation of the scheme, there would be justification for the revocation of such licence. But if certain steps were taken, it would not be fair to deny an opportunity to that party. If in any case facts were made known to Government that a particular party was taking undue advantage of the licence, suitable action would be taken in the matter. He concluded by saying that where a party could satisfy Government with information regarding foreign collaboration and the technical know-how, there was no difficulty in securing a licence and it was not necessary to bother the Licensing Committee with detailed applications. The parties could approach the Development Wing for technical advice.

SECTION II : *Construction: Land, Building Materials, Power and Fuel, Equipment and other services.*

Initiating the discussion, *Shri N. D. Sahukar* divided the subject into three parts : (i) Selection of location; (ii) Regulations; and (iii) Legislation; and made the following observations:

(i) Selection of location: Location could be the major cause of success or failure of an industry; it was, therefore, essential for an entrepreneur to be very selective in the matter. In selecting a site an industrialist would be governed by economic factors like availability of raw materials, power, transport, communications, water, technical personnel and market. As the State played an important part in regulating certain aspects of construction and therefore of location, its role could be either positive and purposive or negative and restrictive. Under the provisions of the Industries (Development and Regulation) Act, 1951 the State was in a position to influence the choice of industrialist, if not directly, at least by refusing him the location which might have been chosen by him. It was, however, incumbent upon the State to exercise its powers carefully. In order to fulfil its purposive function the State could create a favourable climate for location of industries as was done by the former princely States like Baroda, Jaipur, Hyderabad (Dn) and Mysore, by giving land free of cost or by extending concessions in taxation. For the industrial development of backward areas where elementary things required by industries like power, transport and technical personnel were not readily available and were for economic reasons, the industries would not move of their own accord, the State should provide certain basic facilities and inducements like cheap rates for supply of power. Local bodies had also a similar positive role to play in that connection. They should attract industries to their areas by giving exemption from local duties or by providing communication, power, water, etc. He felt that unless the State and the Local bodies played such positive and purposive roles, there was very little prospect of industries being located in backward areas.

(ii) Regulation and (iii) Legislation: He observed that regulations were sometimes beneficial and sometimes obstructive. When the Legislators enacted laws, they had every intention to be helpful, as no democratic government or political party would function if its intention was obstructive. But, legislative measures

very often did operate in an unhelpful manner. The Factories Act, labour laws and rules laid down under the Factories Act prevented exploitation of human beings by the factory-owners and therefore were examples of beneficial legislation. Among the laws and regulations which governed the industrial operations were the Factories Act, the Land Acquisition Act, the Indian Boilers Act, the Smoke Nuisance Act, the Essential Goods Act, the Steel Control Order, etc. How some of these measures operated in unhelpful manner was illustrated by the following instances.

(a) The Building Control Act was passed during the war period for the purpose of assisting new industries to obtain their requirements of construction materials on priority basis. The same Act had now been made an instrument for compelling industries in the City of Bombay and other metropolitan areas to put up housing for their workers. Thus, an Act which was originally served a beneficial purpose was later used for an altogether different object which was not intended at the time when it was passed. As the main purpose of industry was to produce goods at a suitable site, utilise the resources of the area and offer employment to the people, it was not, in his opinion, proper to also burden it with the function or providing houses to workers.

(b) If an industry required land in a particular area, the State assisted it by acquiring the place under the provisions of the Land Acquisition Act. However, the acquisition proceedings under the Act took considerable time and the development of industry was often delayed for a number of years.

(c) The Smoke Nuisance Act was a useful piece of legislation for avoiding industrial hazards. But there were instances where, under the provisions of the Act, many industrial units were prosecuted by petty officers on very flimsy grounds.

(d) The industries using articles like the rectified spirit falling under the provisions of the Prohibition Act experienced considerable difficulties in obtaining it. An applicant for an article falling under the Prohibition Act was suspect in the eyes of the Prohibition and Excise Department and was obstructed and harassed in many ways. As a result of this, a number of industries had shifted to other States where difficulties were not present.

On the basis of these examples, Shri Sahukar concluded that the minimum of legislative measures operating in a State would encourage maximum industrial development and suggested a complete review and revision of the existing legislative measures and a change in the approach of the officers operating and executing these measures.

Shri A. K. Bhimani referred to the plight of industries in Bombay City and stated that though it was the policy of Government to locate industries in the suburban areas, the higher rates charged for power and the inadequate fire-fighting services in the suburbs operated as powerful disincentives. He pleaded for a reduction in the rate of power and suggested that so long as the fire fighting services in the suburbs were inadequate, the extra charges levied on industries by the Insurance Companies should be legitimately borne by the Municipal Corporation.

Shri H. N. Khira observed that there were about 3500 factories working in Greater Bombay, which were regulated by Section 390 of the Bombay Municipal Corporation Act. A Master Plan had been prepared for the City demarcating zones for light and heavy industries but was not yet finally approved by Government. However, when the jurisdiction of the Bombay Municipal Corporation was recently extended to the suburban areas by merging them in Greater Bombay, all sorts of restrictions were imposed on the factories in the extended areas by giving them notices, in spite of the fact that they were established with the permission of the former local municipalities and in some cases, with the approval of Government. Among others, the following restictive conditions were imposed.

(a) Factories were asked to pay a deposit of an amount ranging from Rs. 500 to Rs. 5,000.

(b) Factories were asked to enter into agreement on a stamped paper that they would bear the cost of development of that area.

(c) Factories were asked not to work night shifts.

(d) Instead of giving permanent permits, only temporary permits for a period of three to five years were granted to factories. This created uncertainty among them. At the interval of every three or five years they had to apply again and pay fresh fees.

(e) Factories which were given permits for longer periods were asked not to work at night or asked to build houses for workers. A time-limit was imposed within which they should shift themselves to industrial zones.

He then mentioned the following recommendations of the Study Group on Greater Bombay regarding industrial location:—

(a) The aim of the zoning scheme should be to bring about any such discongestion of the Island area as far as possible by creating incentives for removal of such units outside this area.

(b) Existing industrial units should not be called upon to shift outside the Greater Bombay area. In the words of the Industrial Location Panel. "It is not desirable to call upon them to shift outside the Greater Bombay area. These industries have invested substantial amounts, they depend upon several special facilities peculiar to Bombay City and are, to a greater extent, mutually inter-dependent for each others' products. Asking the industries to shift from their present sites and to get themselves established outside the City will generally lead to disruption of a vital wing of our national economic life."

(c) If, however, some industries decide of their own accord to shift from the Greater Bombay area to an outside place, all possible encouragement should be given to them. In fact, we would suggest that circumstances should be created whereby sufficient positive encouragement and incentives are provided to industrial units to shift their existing industrial undertakings of their own volition.

(d) To this end, the Study Group has recommended the proposal of the Industrial Location Panel to set up 20 industrial estates in the Island of Bombay, 25 industrial estates in the suburbs to afford raady facilities to the non-conforming units to shift themselves and has emphasised that the establishment of the industrial estates and the industrial areas should be taken up on a priority basis and facilities required for the industry in such areas provided as early possible.

(e) As suggested by the Industrial Location Panel in this behalf, the Study Group recommended that the progress in the matter may be watched for a period of five years on these lines.

He stated that the Municipal Corporation had not taken any action in respect of these recommendations in spite of many requests from industries and suggested that so long as factories were not creating any nuisance, they should not be asked to shift and those which created nuisance should be asked to shift only after providing them with alternative sites. He also suggested that with the assistance of the financial institutions which generally advanced loans to medium scale industries, Government should undertake the construction of industrial estates estimated to cost about eight to nine crores of rupees.

Shri Prabhu V. Mehta offered the following remarks on the location of industries in Greater Bombay.

(a) The primary object in asking certain industries to shift from the present sites was to remove congestion. But as the congestion had been caused mainly by the activities of Union and State Governments, it was fair that before industries were asked

to shift outside Bombay City Government should move some of its own activities outside the City and thus set an example to others. When there was decentralisation of employment opportunities, congestion would be reduced.

(b) Industries located at certain places were asked to shift on the ground that fire fighting services were not available in those areas. And yet, it was noticed that some new industries were given permits to construct factories in the same areas. Such anamolous situations were difficult to reconcile.

(c) Factories were required to take a number of permits and licences from the Municipality for which they had to pay fees and deposits. The cost of these was mounting day by day. It created an impression that the Municipality was making money irrespective of the fact whether licensing was really necessary.

Shri B. B. Godambe clarified some of the points raised by the speakers regarding municipal regulations for industries in Greater Bombay. He traced the history of the industrial policy adopted by the Bombay Municipal Corporation and stated that prior to 1951 every industrial establishment in the municipal limits was required to take permission from the Corporation. The procedure followed for this purpose was that the industry concerned should first set up its factory and the municipal representatives would then go and examine whether it was a nuisance or not. If the factory was considered nuisance, it was asked to shift to some other place and if shifting was not practicable, it was asked to close down. This procedure created a lot of hardship to industrialists. In order to avoid this, the Corporation chalked out separate zones for residential, industrial and other purposes. In doing so, due consideration was given to the industries which were permanently settled in the residential and industrial areas. Most of the difficulties arose in relation to the non-conforming users in a particular zone. If in a particular area a new industry was not allowed to be set up while the existing establishments were allowed to flourish, it would not be fair to the general community and hence the existing industries would have to shift to the conforming zones. Though this principle was accepted by all concerned, several objections were raised by the factory-owners when the principle was put into practice. According to this policy followed by the Corporation, an existing industrial unit in a non-conforming area was given a certain time during which it should shift to a conforming zone. In fixing the time, the Corporation took into account the amount of nuisance created by that unit, the total investment that might have been put by it on the site occupied and such other things. In the initial stages these time-limits were laid down in consultation with the owners of the factories concerned. However, when the time for actual shifting

came, very few factories were ready to do so. On the basis of this experience, the Corporation decided that unless the industry had been able to rehabilitate itself with its own efforts in the conforming zones or until the Municipal Corporation or the State Government was in a position to offer an alternative site to that industry, it should not be called upon to shift. A misunderstanding had arisen out of this because the industries in the non-conforming areas, which were given notices to shift within a certain time-limit and were given permits valid upto that period, did not apply for the renewal of the permit after the expiry of the time limit and this fact was brought to the notice of the factories concerned inviting their attention to the undertaking they had previously given to the Corporation and adding that the working of the factores at their present sites beyond that date was in contravention of Section 390. The factory-owners were expected to communicate their difficulties in shifting the factories to the Corporation which would have granted the permission to continue on the site as a matter of course.

He mentioned that the Corporation had accepted all recommendations of the Study Group on Greater Bombay, and, about the working of factories at night, he clarified that if a factory was situated in an industrial zone, no restrictions were placed upon it and it was allowed to work for a maximum of two or three shifts; if, however, it was situated in a purely residential zone, the working at night was not allowed. If, in certain cases, industrialists could not pull on without a second shift, their cases were considered by the Corporation and permission given to them to work their factories upto 11 p.m.

As regards to the proposal of the Study Group that the Bombay Municipal Corporation should put up industrial estates in the City and the suburbs, he stated that considerable progress had been made in planning and the construction would be started soon and some of the estates would be ready for occupation within a period of about eighteen months.

Regarding the classification of industries, he clarified that the classification was originally made by the Municipal Corporation under its zoning policy a few years ago in consultation with the Director of Industries and the departments of Government concerned with the subject. Under this classification, about eighty industries were listed as heavy and the rest as light. Later, in view of the numerous suggestions received, the classification was reconsidered in consultation with the Government Departments and some of the heavy industries were transferred to the list of light industries, so that they could locate their factories in the light industrial zones which were many in the City. He stated that under the provisions of the Town Planning Act, the Bombay

Municipal Corporation was required to prepare a development plan for the whole of Greater Bombay. For the preparation of the plan which would also include the classification of industries, two advisory committees including representatives of industry had been set up. The draft Plan when ready would be published in the papers so that the general public could also make suggestions in the matter.

Shri Prabhu V. Mehta asked the following three questions to Shri Godambe: (1) Whether there was an assurance given to industries that they would not be asked to shift unless they were able to find an alternative accommodation on their own or through the assistance of the Corporation or the State Government, as alleged to have been given in a letter by a former Municipal Commissioner; (ii) If the textile mills which were a source of great nuisance were not asked to shift to conformity zones on the ground of capital invested and employment offered, why similar consideration should not be given to other industries like the engineering industry which were asked to shift; (iii) Whether the recommendations of the Study Group on Greater Bombay were binding upon the Bombay Municipal Corporation.

Shri Godambe replied as under: (i) He was not aware of any assurance given by a former Municipal Commissioner to industries that they would not be asked to shift unless they were able to find an alternative accommodation on their own or through the assistance of the Municipal Corporation or the State Government. (ii) If there was an overwhelming view of the residents of Bombay that the textile mills should be shifted, the Corporation would draw up a plan for such shifting in consultation with Government and the industry. (iii) It was not possible to make a categorical statement that the recommendations of the Study Group were binding on the Corporation but, in practice, the recommendations were followed in toto.

A member referred to some instances where first notices were served upon some factories that they were creating a lot of nuisance and should therefore shift, and inquired why, even after the high officers of the Corporation verified that the complaints of nuisance were got genuine, hopes for renewal of permits were held out on fulfilment of certain extraneous conditions like giving a piece of land to the Municipality, building houses for workers, etc.

Shri Godambe answered that every permission was subject to certain conditions and that if the conditions were not communicated earlier to the industries, they were made known at the time of issuing the permits.

Shri R. C. Rawal referred to his earlier association with the Bombay Municipal Corporation as Deputy Municipal Commissioner and was incharge of subrurbs which had a number of industries located there. He observed that certain matters which generated friction between the industries and the Municipality could have been avoided, if each party understood its own role. He stated that while the Municipality was in charge of providing civic amenities to the people and had certain statutory functions to discharge towards the general public, it was interested in seeing that no nuisance or trouble was created. The Corporation had also to deal with matters connected with health and sanitation of the City in general. The industries, on the other hand, in their anxiety to start factories showed little regard for rules and regulations laid down by Government or the Corporation. He observed that a lot of friction was created on account of lack of imagination on the part of petty officers of the Corporation who could not easily appreciate the difficulties of the industrialists. He suggested that it would be useful to associate the representatives of industrial organisations in the finalisation of the industrial zones. Whenever need was felt to make changes in the plan already approved by the industrial organisations, such changes should also be made after consulting them. It should not rest with the Corporation entirely to make changes however urgent they might be from its point of view. Such changes which were necessarily and agreed to by the industrial organisations and the Municipal Corporation should be notified for information of the general public. A map showing the various zones should be displayed in the Municipal Offices and ward offices so that the information contained in it is made available to all members of the public.

Regarding the recommendations of the Study Group on Greater Bombay, he observed that complete implementation was not possible within a short time and cited the example of shifting of industries. As all the 2000 industrial establishment in the Island of Bombay could not be shifted immediately, the process of shifting had to be planned and spread over a course of time.

He admitted that there was some delay in Government offices and Local bodies and pointed out that delay was also prevalent in the industries. In many cases, information called for by the Corporation was not supplied by them for a long time.

He referred to the difficulty experienced by a new entrepreneur in selecting the type of industry he should undertake and concluded by suggesting that an organisation should be set up by the industrial associations and chambers to give advice and guidance to the new entrants regarding selection of industries, economic hazards of the industry selected, rules and regulations to be complied with, etc.

Shri J. B. D'Souza agreed with the point made by the speakers that there was congestion in the City of Bombay and observed that as the congestion was primarily due to the employment opportunities offered by (i) offices of Central and State Governments and Local bodies, (ii) industries and (iii) shops and establishments, it would be necessary to divert these sources of employment to relieve congestion. In asking industries to shift to suburbs the Municipality had taken a step in the right direction, and as the proposal was not viewed with favour by the industrialists, persuation rather than coercion was used by the Municipality. Government was also taking steps to disperse its offices, as far as practicable, and a beginning had been made by locating the office of the Maharashtra Housing Board in the suburbs. He explained that most of the Government offices were located in the City because they were required by the public to be there. He stated that Government was setting up industrial estates for light industries as well as for heavy industries and that a big industrial estate was under construction near Thana.

Shri K. V. Seshadri replied to some of the criticism made by the speakers and made certain observations as under:-

(i) Essentiality Certificate — For want of statistics of production for the State, it had not been possible for the State Government to issue essentiality certificates as speedily as were issued by the Government of India. When Government agencies tried to collect statistical data, the industries were found reluctant to extent their cooperation. It was, therefore, necessary that they should be called upon to furnish such data in returns under the Industries (Development and Regulation) Act.

(ii) There were no unified rules in the country in respect of the issue of the essentiality certificate with the result that the rules in some States e.g. Maharashtra were perhaps more rigorous than those in other States. He suggested that introduction of uniformity in these rules should be examined by the Development Wing of the Government of India.

(iii) He denied that the quantum of raw material released to the small scale industries was smaller than that released for the heavy industries.

(iv) He felt that foreign collaboration was required in the cases where the quality of material was to be improved and research facilities were likely to be afforded.

(v) As it was brought to the notice of Government that the insurance companies were charging higher rates of premium to the industries located in suburbs than those charged to the industries in the Island of Bombay, because adequate fire fighting services were not provided there, Government had taken up the

matter with the Corporation and the Association of Insurance Companies might also approach the Corporation.

(vi) In order to remove the difficulties experienced by the heavy chemical industries in securing pure alcohol under the Prohibition Act, Government had revised the relevant rules, as a result of which they could locate their own supply of powers alcohol and approach the Industries Department directly in the matter.

(vii) Regarding the different rates charged by licensees for supplying power to industries. it was not possible for the State Government to do anything in the matter, as these licensees were given certain discretion under the electricity law passed by Parliament. The State Government had, however, revised the procedure for the release of power to the industries in the Bombay-Poona region so as to avoid causes for complaint.

(viii) Government had adopted a positive approach to the problem of location of industries and special efforts would be made under the Third Five Year Plan to solve it. So far only negative approach was adopted because there were not suitable areas for shifting of industries. In the industrial estates and industrial areas which were under construction, a systematic policy in connection with the location of industries was being followed by Government.

(ix) The State Government was very keen on simplifying procedures for granting loans to industries through the State Financial Corporation and was currently examining the problem.

(x) Where an area was going to be industrially developed and there was demand for setting up railway lines, the Railways should agree to undertake the construction of new lines without asking as to who would find the necessary money.

(xi) He referred to the occasional shortages in supply of coal experienced by individual concerns though some other concerns might have a temporary surplus at the same time and suggested that a Chamber or some Association of industries should undertake distribution of raw materials among the industrial establishment in the overall interest of industries.

SECTION III : *Operation: Raw materials, Labour, Transport, Marketing and Working Capital*

Initiating the discussion, *Shri Prabhu V. Mehta* made the following observations on the topics included in the Section.

(i) Raw materials: — The management of raw materials, under the economic conditions prevalent in the country, was extremely difficult. Raw materials could be classified as (a) obtained indigenously and (b) imported from abroad. So far as the first category of raw materials was concerned, the exercise of enlightened self-interest by the producers and the suppliers would relieve the situation and help in the successful implementation of the programme of industrial production. The Certification Marks Act guaranteed the quality of the product and was operated by the Indian Standards Institution. Since there were frequent complaints from industries against the quality of raw materials supplied to them, it would be better if the Institute of Manufacturers, whose members produced processed and semi-processed goods serving as component parts of other finished goods could also get the material certified under the Act.

Regarding imported raw materials, he complained against the dilatory procedures adopted by the Office of the Chief Controller of Import. He gave examples of unnecessary correspondence which not only entailed delay but cost money to the public and showed lack of trust in industrialists. He also stated that very often there was considerable delay in taking possession of raw materials landed in India on account of the shifting policy of Government.

(ii) Labour: — Though man-power was available in plenty in the country, it was not only untrained for the specific jobs available in industry but also lacked the basic vocational training. Industries could train their own personnel to man specific jobs but it was not possible for them to impart the basic vocational training. Therefore, setting up a number of vocational training institutes was necessary in our country to train men adequately to handle jobs in various industrial establishments.

There was a plethora of laws and rules concerning employer and employee relations. The existence of these laws and regulations did not help in promoting cordial relations among them; petty matters were taken to courts, even upto Supreme Court,

thereby increasing bitterness on both sides in the process. Only a little of law and more of understanding would help the employer-employee relations. On account of certain laws in favour of the trade union workers, it was difficult for an employer to maintain discipline in the factory. An employer was required to go to a Court for permission every time he wanted to take disciplinary action against a worker. While taking steps to safeguard the interests of the workers, Government should not hamper the maintenance of discipline in industrial establishments.

There should be one comprehensive scheme of benefits to workers in place of various schemes for Provident Fund, Gratuity, Involuntary Unemployment Benefits, etc. The cost of administration would then be substantially reduced and the resultant saving utilised for the workers' benefit.

(iii) Transport: — The Government of India were putting impediments in the way of road transport in the interest of the nationalised railway transport. The preferential treatment given to Railways at the cost of road transport was not justifiable in a developing economy like ours.

(iv) Marketing: — So far as marketing of products was concerned, due importance was not given by the manufacturers to the factors like quality of product, service and price and they were indifferent towards market analysis and product design. As in the U.S., the large industrial organisations in this country should develop consultative market services for industries and give assistance in respect of product design, development, market facilities, prices and distribution. Marketing in the country was devoid of a standardised sales policy. Prices varied from time to time depending upon the speculative conditions in the market and ceased to have any relation to quality. As such marketing conditions were not conducive to a free and developing economy; it was, therefore, necessary for industries to adopt a definite sales and pricing policy.

(v) Working Capital:— There was a shift from stock financing to loan financing, because of the irregular earnings of profits, scarcity of equity capital and the tax advantage in borrowing. On account of this shift, banks were reluctant to give loan money, as there was lack of security. Since financial institutions gave loans for a period upto five years, many medium and small scale industries were experiencing financial difficulties.

He concluded by inviting attention to the suggestion of the Shroff Committee to create a consortium of banks for the purpose of giving medium term loans to industries.

Shri M. G. Parikh observed that Banks had all along provided working capital to industry and trade. It was only on the question of financing of industries on long-term and medium-term basis that there had been difficulties. During the last few years, there was, however, a definite shift and the Banks had actively started financing industries on a long-term basis. The Banks had also started underwriting and giving guarantees to foreign collaborators either on their own or in cooperation with the institutions like the Industrial Credit and Investment Corporation of India.

He started that there were many cases where the loans granted by way of working capital to industries were used for financing long-term expenditure and, therefore, tended to become long-term loans. A peculiar aspect of the banking structure in India, he continued, was that there was no definite distinction between long-term loans and short-term loans. While giving long-term finance to industries the Banks experienced difficulties in ascertaining the profitability of a particular enterprise. It was easy for industries with foreign collaborators to produce progress reports to the satisfaction of the Banks. Being satisfied that a particular industry had capacity to repay loans, a Bank could easily give a long-term loan or a guarantee. But so far as indigenous industries were concerned, the industrialists starting industries were generally not able to produce proper project reports which would give an assurance to the Banks that the particular project was feasible and would bring enough profits for the repayment of the loan. He remarked that this aspect was very important because unless the industry had capacity to repay loans from its profits of manufacture, a Bank would be called upon to finance it further and extend its loan for a longer term.

He mentioned the problem faced by the Banks regarding stamp duties. A document had to be stamped in different ways in different States and thus imposed a financial burden upon the borrower. Again, in the matter of long term finance where the Banks required a mortgage, the stamp duty was very heavy and seriously raised the cost to industry. He referred to the practice in the U.S. and the U.K. where industries were not required to stamp documents heavily for borrowing from Banks and suggested that Government should bring about uniform legislation in respect of the Stamp Act in all States and also reduce the stamp duties for the benefit of industries.

Shri A. K. Bhimani observed that working capital of an industry was locked up in different ways and that if measures for quicker settlement of bills were introduced by Government and industrial units, a large amount would be released and pressure

for working capital would be relieved. He suggested that there should be greater coordination between, or even a merger of, various Chambers and Associations of industries existing in Bombay City. He stated that some difficulties were experienced in operation of the National Apprenticeship scheme for giving vocational training to workers and commended the scheme recently evolved by the Bombay Municipal Corporation under which an industrial unit would start apprenticeship training in its own workshop and the services of tutors from nearby technical institute would be lent to them twice a week in the evening. He supported the suggestion made by Shri Prabhu V. Mehta that the labour laws should be simplified to improve employer-employee relations.

Shri P. V. Malhotra suggested that there should be more coordination and pooling of technical resources available with the financial institutions. He observed that at the time of advancing money, these institutions should take care that the borrower appreciated and understood the implications of borrowing money and was in a position to conduct the industry on proper lines. It was true that an entrepreneur experienced a number of difficulties and delays in starting an enterprise. The lending institutions should, therefore, give technical guidance along with money to an entrepreneur, so that he would not incur unnecessary costs on account of such delays and difficulties. In this way it would be possible to achieve a lowering of the cost of production. The lending institution should also ensure that a new industrial unit possessed adequate machinery and expert knowledge to work out the scheme successfully in order to avoid future pitfalls. After the loan was given, there should be follow up to verify that it was being utilised for the purpose for which it had been advanced.

He stressed the need for a close scrutiny of costs in industry and said that though the existing price structure was such that whatever price was fixed was paid by the consumers, this could not continue. It was, therefore, incumbent upon the financial institutions to suggest better production methods so as to improve efficiency and lower cost of production. Thus those who were in a position to do something should see that a real service in the form of technical know-how and managerial skill was given to the industrialists who wanted to start new industries. He welcomed the establishment of an Investment Centre to advise industrialists on the problems of setting up industries in India.

Shri N. H. Bhatt invited attention to the difficulty in obtaining raw materials and stated that though Essentiality Certificates were secured from Government, the quantum of raw materials

certified was very often not available; or the recommendations of one Government Department in that connection were not valued by another Department. He pleaded for some kind of flexibility in the validity period of an Import Licence, as, in many cases, it took considerable time to locate the necessary raw material to be imported against the licence. He emphasised the need for making raw materials of standard quality locally available, so as to do away with the need for imports.

Shri B. D. Toshniwal referred to the procedural delays in acquiring raw materials and advocated the introduction of manufacturer's quota licence so as to obviate the difficulties experienced by the small scale industries. Under this system a quota certificate should be issued to the manufacturer on the basis of his previous imports, the nature of products and availability of foreign exchange, his production capacity and the components which required to be imported. This would give him the necessary freedom and allow a measure of flexibility in import. It was, however, feared that in such system there was likelihood of misuse of import licence. He remarked that some risk had to be taken if the industries were to be developed. Shri Toshniwal stated that under the existing rules, the small scale units were not receiving due consideration, whereas the large-scale industries were getting a choice to import raw materials in any quantities they required.

Shri V. T. Narayanan replied to some of the criticism of the Railways by earlier speakers. Regarding rail-road competition, he stated that what the Railways objected to was unfair competition from road transport. The Railways charged different rates for carrying different commodities on the basis of what the traffic in the commodity could bear. For high-priced commodities, higher rates and for low-priced commodities lower rates were charged. If only the high-priced commodities were carried by private carriers, it would be impossible for the Railways to carry uneconomic commodities like coal, stone and other low-priced commodities which could not afford to pay high transport rates. Any diversion of high-priced commodities from the Railways to road transport would, therefore, ultimately force a rise in the freight rates of the low-priced commodities and would have serious economic repurcussions. The whole matter was, however, before a High Level Committee.

Referring to a point made by Shri Prabhu V. Mehta about restrictions on booking of goods, he clarified that the restrictions were often imposed at a time when the goods-sheds were full and it was difficult to unload new wagons. In such cases, he added,

sometimes longer and that was one of the reasons why goods were not cleared off from the sheds. Certain restrictions on booking were, therefore, necessary to minimise congestion.

Regarding the development of entirely new areas where there was demand for new lines, he stated that unforeseen difficulties like washing away of rail lines due to floods, shortage of coal of good quality, etc. were coming in the way and added that Railways were doing their best to overcome these difficulties and make budget provisions for the purpose.

About railway sidings, he stated that for the purpose of putting up a railway siding, a budget provision had to be made about a year and half earlier. If it was a private siding, the Railways gave all necessary help and if not, the party had to give a guaranteed return on the material used on the siding.

He mentioned that good progress was made in reducing mal-handling of goods and in providing adequate transport. The High Level Committee had already gone into the question and made certain recommendations on the basis of which legislation would soon be drafted to increase the liability of the Railways as a public carrier. He observed that there was already some improvement in the claim bill of the Railways and concluded by saying that Railways were handling a very large volume of traffic, some errors and shortcomings were bound to be there. The Railways were, however, alive to the difficulties experienced by the people and were doing their best to further the interest of the nation.

GENERAL DISCUSSION

Chairman stated that before calling upon the rapporteurs to summarise the discussions in the three Sections, he would allow those members, who expressed desire to speak, to offer their remarks in brief on all Sections and generally on the question as a whole.

Shri H. N. Khira referred to the deterioration in the behaviour of labour due to the invidious character of labour legislation. Regarding the supply of steel for industrial purposes, he observed that the engineering industry was generally allocated steel by the Development Wing and the Iron and Steel Controller, Calcutta. All the industrial units, he continued, were given quota certificates on the strength of which orders were placed and it took considerable time to get the physical delivery of the material. Moreover, the material was hardly available at the rates mentioned in the quota certificate. The Ministry of Commerce and Industry allowed some of the established importers to import steel under an arrangement. As the imported steel was issued through middlemen, the price paid for it was higher than that mentioned in the quota certificate. The industries, which held quota certificates but did not consume the total quantity, also disposed of a part of their quota to other industries at prohibitive prices. He, therefore, pleaded that steps should be taken to remedy the prevailing unsatisfactory state of affairs in the supply of steel to industries.

Shri C. L. Gheevala referred to the question put by the Chairman as to whether the Indian Merchants' Chamber had done anything in the matter of difficulties experienced by the industrialists and ventilated at the Seminar, and stated that the attention of Government at various levels had been invited to these. He suggested that efforts should be made to streamline the procedures in Government Departments in such a way that all avoidable difficulties are obviated.

Shri R. S. Pochkhanawala generally answered the criticism of the Bombay State Financial Corporation made by the speakers. He referred to a complaint that the Corporation took about three years to sanction a loan and pointed out that when that particular loan application had been received, the procedure followed in the Corporation was different. At that time the Corporation had

been acting as an agent of the State Government and was concerned merely in recommending the applications for consideration by Government. But since 1959, the Corporation had been given full powers to sanction and disburse loans, and the loan applications were disposed of within a period of about two months. He added that many times applications for loans did not contain full information required to be given and time was wasted in collecting the necessary information.

Regarding the suggestion that the ratio of fifty per cent for giving loans against security was low, and that the Corporation should advance more than fifty per cent, he agreed that there were certain cases in which this appeared to be so but because of the low ratio, it was possible to give more loans. He admitted that there was sometimes delay in disbursement of loan after it was sanctioned and explained that as the Corporation insisted upon a clear marketable title to the security offered, some time was involved in investigating the title. He denied that the application form of the Corporation was very lengthy and contained complicated questions and pointed out that there were only two forms — one contained twelve questions and the other twenty four questions — and that the officers of the Corporation were always prepared to assist parties in completing the applications. He stated that the Corporation would be willing to consider suggestions to help persons who wanted to purchase land in the industrial estates or put up industrial structures for sale.

Shri R. S. Bhatt suggested that manufacturers of intermediate products including components should introduce quality control and keep a check over the prices of products; for that purpose, they should evolve a code of fair trade practices.

Shri B. D. Toshniwal observed that there was very little coordination between the various departments of Government in sanctioning terms of foreign collaboration. He stated that there were no definite rules and procedures for consideration of foreign collaboration in small scale industries. He pointed out that many people left one State where essentiality certificates were not easily obtained and went to another State where it could be secured easily.

Shri B. R. Sabade referred to the criticism of his points made by Shri R. D. Pusalkar and offered some clarifications. He pointed out that it was not his contention that foreign collaboration should not at all be allowed in the country but that it should not be permitted at the cost of indigeneous manufacturers. As regards need for consultation with indigenous industries before giving permission to any foreign collaborated units, he contended that industries which had unused production capacity or could

be expanded without involving additional import of plant and machinery should be encouraged and licences for foreign collaborated units given only when these possibilities were exhausted.

Dr. R. J. Rathi observed that before banning the import of any commodities, the Development Wing directed the consumers to the indigenous manufacturers of the commodities. Similar assistance, was, however, not being given by the State Governments who had powers to issue import licences to small scale industries. He complained against the issue of blanket import licences to consumers on the ground that blanket licences covered many items and if import of some of these items was banned, they could still utilize the licences in full by importing larger quantities of the other items. He felt that the problem regarding disposal of effluent, about which Government was very strict even when water was not used for fishing purposes, should be tackled on proper lines and if necessary, the effluent should be treated by Government itself. He referred to the rigidity in the provisions of the Factories Act by which no overlapping of working hours between different shifts was permitted. He pointed out how some overlapping was inevitable in the Chemical Industry where the process was continuous. He suggested an amendment of the Act to provide for such overlapping.

Shri K. V. Modak suggested that Government should abolish the high custom duty on import of testing instruments.

Shri N. L. Gadkari referred to the point regarding overlapping of working hours and clarified that for overlapping a special sanction of the Chief Inspector of Factories was necessary and that if a proper case was made out, sanction was generally given.

Shri M. V. Pandit referred to the point about non-availability of industrial statistics and observed that factoryowners were reluctant to supply correct statistics in time to Government and that unless cooperation was coming from the employers, it would be difficult for Government to collect such statistics.

Shri P. C. Randeria referred to the procedured difficulties in getting import licence and acquisition of land. Regarding import licences, he observed that before such licence was issued, the appliant was given a notice to open abroad a letter of credit in "a reasonable time or say within two months". A letter of credit would normally take more than two months but the time-limit of two months was rigidly followed by the Import Control Authorities. Unless there was some kind of flexibility in the interpretation of 'reasonable time', it was difficult to take advantage of the facilities offered by Government. Secondly, he

stated, the Regional or Local offices of Import Control should be given more powers so as to take care of certain procedural matters. The headquarters of Import Control took considerable time in scrutinising applications. During that time the position regarding foreign supply of the requirements of the industry might change. As both these matters were handled at the headquarters, the original licence was not readily available for showing to the Customs Authorities when the goods arrived.

Regarding land acquisition, he observed that the acquisition proceedings were very complicated. In order to select land, a clearance had to be obtained from the Director of industries and the State Government and from other rival claimants After that, it had to be notified through the Revenue Authorities. All this took time and in the meanwhile it was not possible to show any progress on the manufacturing licences. It was also difficult to lock up large sums of money required by way of cash deposits under the Land Acquisition Act. He, therefore, suggested that Government should accept approved Government securities or Bank guarantee by way of deposit.

Shri R. D. Pusalkar observed that it had been realised that for relieving congestion in Bombay City, it was necessary to shift industries outside, particularly to the areas which were earmarked by the State Government for the purpose of industrialization. He referred to the statement in the paper by Dr. M. R. Mandlekar that certain basic amenities had to be provided in such areas, and mentioned that the area near Pimpri was one of such places selected by Government for industrialization. Though a factory had been started there in 1954, it was not yet provided with water supply. There were also no transport facilities as the Poona Municipal Transport Undertaking had refused to serve the areas for want of sufficient traffic. The absence of such basic facilities affected the morale and outlook of workers apart from causing inconvenience to the industry. He indicated that if Government could provide these facilities ,industrialists would also be willing to assist Government financially by bearing a part of the recurring expenditure.

Dr. V. K. Ramaswami answered the criticism of policies of Government made by some speakers. Regarding import of raw materials, he explained that as foreign assistance was available largely for capital goods, at least for some time in future it would not be possible to provide the full amount required for import of raw materials. Within the amount that was available, Government attempted to give the greatest possible flexibility to the industrial units. This was done by annual licensing and by allowing industrial units to purchase various items listed in the annexures

to the licences for whatever relative quantities they liked. Care was taken that items available indigenously were not imported.

As regards the small scale industries, he stated that a complete list of all small scale units in the country was under preparation and that Government would do its best to introduce uniform procedures for the purpose of issuing essentiality certificates to small industries in the States.

He mentioned that recently there had been some improvement in the procedure of prescribed for dealing with the foreign collaborated units. People could send applications to the Ministry of Commerce and Industry through the Reserve Bank of India and the Ministry would send papers to the Ministry of Finance. If the Finance Ministry did not agree with the recommendations of the Ministry of Commerce and Industry, the matter was brought before a Committee which met once in a fortnight for the disposal of applications.

Shri B S. Suryanarayan observed that a large body of officials processing work in Government offices were still following the instructions laid down in the days prior to Independence and pleaded that these instructions should be revised in the light of the new functions undertaken by the State. He compared the position of a person who had to contact Government offices to that of a petitioner in a Court of Law and showed how he was generally worse off since the burden of proof was on him and he could not ask for a transfer of his case. He thought that the applicant's position was even worse than that of an accused in the Court who knew the charges and had an opportunity to defend himself. He deplored the tendency in Government offices in treating a number of papers as secret. He stated that many Government officers who had to take decisions in matters were not well equipped with the laws, rules and regulations. He felt that the officers in various Government Departments should be trained in the new functions which were entrusted to them and suggested that the Chambers and Associations of industries should entrust the work of following up cases to the selected individuals who would be in a position to deal successfully with the Government officials.

Shri A. K. Bhimani observed that a sense of urgency was lacking in disposal of work in Government offices. The officers were not in a position to take responsibility, because if they expedited matters they might be accused of having some interest in the affairs of the party. He felt that there should be mutual trust and a sense of urgency should be developed from top to bottom.

Shri L. A. E. Colaco, who was rapporteur for Section I, summarised the discussion in that Section and stated that the

various problems of starting an industrial enterprise had been exhaustively dealt with by speakers representing industry, financial institutions, the Central and State Governments and the Bombay Municipal Corporation. The consensus of opinion was that these problems were real and had to be solved in order to enable us to cope with the pace of industrialization.

He mentioned that a number of statutory provisions regulating enterprices in India were also common to many other countries though industrial licensing was a special feature in India. In laying down policy and procedures in this regard the Government of India was guided by two main objectives: (i) to encourage industrial development in the country and (ii) to channelize investments in desired directions. Industrial licensing was a direct consequence of the policy to channelise investments in desired directions.

He referred to the following important points brought out in the discussion.

(1) There was a demand for standardization of forms which had to be submitted to the various authorities in connection with various authorities in connection with various licences to be obtained. It was true that the forms were elaborate and, in some cases, conflicting. As pointed out by Government representatives there were reasons why these forms were required by various agencies.

(2) There was a time-lag between the issue of an industrial licence and that of an import licence. He suggested that apart from various Advisory Councils on which non-officials were represented, a sort of Super Advisory Council could also be associated with the various agencies of Government for taking cognisance of difficulties experienced in the industrial and capital goods licensing.

(3) Regarding long-term finance, there was a time-lag between the submission of the application and the receipt of loan by the applicant, because a number of legal formalities had to be complied with. He commended the suggestions made at the Seminar on Finance for Small Scale Industries held at Hyderabad in 1959 that (i) the Banks should be given power of creating an equitable mortgage in places where it had not been provided for and (ii) in cases where the Banks and the financial institutions asked for security by way of hypothecation of movables, there should be a process by which these documents of hypothecation could be registered in the same way as documents evidencing mortgage of immovable property. He pleaded for early implementation of these recommendations.

(4) Regarding the difficulties in the way of acquiring land, two instances had been cited in the discussion. In one case, it had been pointed out that it took three years to acquire the land and put the Company into possession. In another case, the acquisition proceedings were held up and the Company had to lock up a large amount. He stated that the other side of the question had also to be taken into consideration. In acquiring land, a certain established land-holder had to be put out of possession of his property.

Dr. M. R. Mandlekar, rapporteur for Section II, first summarised the discussion in that Section and then offered his remarks on certain topics included in the other Sections.

Giving a brief summary of discussion is Section II, he stated that as pointed out by various speakers, the State Government was concerned with giving assistance to industries by providing land, water, power and some special concessions in the matter of allowing the use of raw materials over which the State exercised control. The position in respect of each of these items was as follows:-

(a) Regarding land, it was suggested that where land was to be acquired for industry under the Land Acquisition Act, the delay was often exasperating. At times, the area selected was not available because it was not included in an industrial area; in some cases structures could not be put up as area was situated near a national highway. In other cases, there were streams in the way, which could not be diverted. It had been suggested that the authorities concerned with disposal of such cases should act expeditiously and in a coordinated manner.

(b) Regarding the supply of water, it was pointed out that Government sometimes failed to lay down means to carry large flows required by industry. It was suggested that when a water supply scheme was proposed Government should also inform the principal Chambers of Commerce and Industry and Associations so that they could collect information regarding the requirements of industries in that area. A suggestion was made that representations from undertakings with capital requirements of Rs. 50 lakhs and over should be settled at a conference where the various departments concerned should be represented to avoid cross references and correspondence. Dr. Mandlekar agreed to the need for such discussions but remarked that these should be related to the quantities of water required rather than to capital investment of undertakings.

(c) Regarding power, he mentioned that it had been suggested that while the position of supply of electric power was likely

to be eased during the Third Five Year Plan period in the Western and Eastern Maharashtra, it would not be so in Marathwada where it would be necessary to set up diesel operated power stations particularly for the needs of small scale industries. Since Government was not likely to supply electric power to all areas in the next few years, preference should be given to areas which had immediate potentialities for industrial development, particularly areas near the Bombay-Poona Road, Bombay-Nasik Road, and Greater Bombay. If a factory was situated within the jurisdiction of a local electric supply company which refused to supply power to the factory, Government should supply power to the factory and from its own mains. The licencees could supply power when they were in a position to do so. In such cases, Government should not ask the factory to obtain the licencee's permission but must actually intervene and assist the factory. It was also suggested that where electric power was not readily available from Government, industrialists should be permitted to instal their own power units.

(d) Regarding fuel, reference was made to the fact that the supply of coal to industries was spasmodic and that Government should establish regional centres to store buffer stocks to meet the normal requirements of industries. As regards the other types of coal, the industrialists should be encouraged to build up their own pool. The regional depots of coal should be so located as to avoid transport bottlenecks.

(e) About transport, it was pointed out that every factory must have an alternative system of transport, preferably road transport. Government should provide wide roads capable of taking heavy loads. In suitable places jetties could be provided to develop water transport. In the Thana creek, lighters pulled by tugs could be used to avoid the transport bottlenecks. A suggestion had been made that industrial areas should be provided with air strips.

(f) There was discussion regarding need for dispersal of industries and for the development of areas for their location. The growth of industrialization had resulted in congestion of industries in a few areas. Industries, where cost of transport of raw materials was not a major problem in relation to the ultimate cost structure of the finished products, also tended to concentrate in the already developed areas. To prevent this, Government would have to develop areas with necessary basic facilities to promote dispersal of industries. Other services like banking, insurance, technical know-how, repair workshops, etc. would naturally follow. The provision of such facilities would quicken the process of industrialization. In some cases ,it would be necessary to provide additional facilities for isolated industries so that

the facilities and the resources already available to them could be fully exploited. All the developmental activities should be pursued through an autonomous corporation with adequate resources which could be augmented by borrowing. The problem of disposal of effluents was involved throughout the country and was specially significant in the case of some organic chemicals, paper and rayon factories. This problem would have to be tackled on a national basis.

(g) There had been a few suggestions regarding changes in the tax structure. As several Government authorities taxed industry, there were different types of burdens on industry, e.g. Employees State Insurance Scheme, Sugarcane Cess, Surcharge on electricity consumed and taxes levied by Gram Panchayats. It was necessary to recognise that each of these taxes served a purpose. For example, sugarcane cess of the State Government was used for construction of roads in the sugarcane areas so that the transport of the sugarcane would be facilitated. Suggestions were made that the State Government should revise the entire tax structure for the entrepreneurs who entered the field of industry by giving them concession by way of exemption from payment of Sales Tax, Local Taxes, Octroi duty, etc. for a period of ten years. It was further suggested that the State Government should also move the Union Government for a revised tax structure applicable to new entrants in industry and on their own part should scrutinize all enactments on industries and produce an amended and consolidated structure of industrial and factory laws.

(h) There were some observations of general nature. Industries had been divided into two types, viz. (a) those governed by the Industries (Development and Regulation) Act and (b) industries not registered under the Act. Statistical data like the installed capacity, number of working shifts, present production, etc. were furnished to the Development Wing periodically by the industries regulated by the Industries (Development and Regulation) Act only. However, in the matter of distribution of foreign exchange, the other industries also drew a good amount along with those industries whose development was under the careful scrutiny of Government. It was suggested that the development proposals accepted by Government and the concurrent need of foreign exchange, etc. should be apportioned between the representative bodies of the industrialists either region-wise or guild-wise. The allotment of available foreign exchange could then be made by these representative bodies by mutual agreement.

It was stated that our ideas regarding the scope and essentiality of certain industries were causing difficulties to both Indian and foreign manufacturers. Large undertakings with

foreign collaboration were allowed large issue of capital and higher quota of imported raw materials, while middle sized industries were discouraged.

There was a suggestion that the Planning Commission should be more broad-based and active cooperation of industrialists should be accepted.

It was also suggested that the cadre of Government servants dealing with industrial enterprises should comprise of personnel with wide experience in trade, commerce and industry and that some of the Government servants should be given training in trade, finance and industry.

Government machinery should be streamlined so that quick decisions could be taken. The organisation of the Government was primarily suited for the maintenance of law and order. There was too much reliance on excessive paper work and cross references and a tendency to play safe. The remedy was to delegate more powers and give immunity against the probable errors of judgment. Centralized activities of the State Government left little scope for close contacts and mutual consultation with the officials. This was a difficult particularly for a small scale entrepreneur. There was need for decentralization; the regional officers must have sufficient authority to dispose of most of the cases at the regional level.

There was lack of continuity in administration owing to a number of changes in the officers. This sometimes resulted in indifference in action.

There was a suggestion that the Central Government should maintain liaison at important centres like Bombay, Calcutta and Madras, and that each State Government should maintain a liaison officer in Delhi who would gather and pass on information regarding regulation and development of industries.

It was mentioned that the small scale industries should be financed by the State Finance Corporation. All agencies working in the State for the benefit of small scale industries should work in cooperation with a special officer, with experience of industrial finance, to be appointed by Government. People with small finance should be helped to locate their industries around big factories whose engineers could guide them to produce some of the simpler requirements of a big factory and help them to grow into independent manufacturers.

As industries could only grow in an atmosphere of law, order and political tranquility, any loose talk about nationalization of

industry tended to hamper the chances of development particularly through foreign collaboration.

In order to avoid delays in getting usual requirements of power, water, sanitation, etc. from the local bodies, it was suggested that when a proposal for an industry was accepted by Government all arrangements for giving assistance in this connection should be made by Government and the local body concerned.

Industrial areas should also be provided with social amenities like schools, markets, hospitals, etc. Government could also examine the proposal of establishing certain industries and handing them over to people in a running order.

Dr. Mandlekar dealt with some of the problems raised in the discussion in Section III and said that for several reasons the prevailing atmosphere for industrialists was encouraging. There was no shortage of enterprise or capital. There were, however, difficulties in getting licences for import of capital goods. He confined his remarks to the plight of small-scale industries which had to depend upon imported raw materials for their manufacturing programme. Good progress in such industries could be made if iron and steel and some other metals could be made available. Unfortunately the supply position in this regard was far from satisfactory. Even where paper allotments of the material were in the hands of the industrialists for a long time, the actual quotas were not received. As the money was tied up with the supplier without interest, the small manufacturer found it extremely difficult to wait for a long time to receive the quota of iron and steel. Though the position of certain categories in iron and steel had lately shown some improvement, the categories generally required by the small factories, sheets and wire, were in short supply. The position in this respect had deteriorated because the number of consumers had increased, while import had been curtailed. The position of non-ferrous metals like copper, nickel, brass, zinc, etc. was even worse and the people were not getting enough to work factories economically. Such situation gave rise to unhealthy practices. It had, therefore, become difficult for the Directorate of Industries in the States to be of active asistance to new entrepreneurs.

In the case of other raw materials, the position has shown some improvement, but again for several reasons, people had not been able to get as much as they required. So far as the imported raw materials were concerned, there was a kind of wrong belief on the part of entrepreneurs that they could get as much raw material as they desired; whereas the licencing authority had to relate it to the past consumption. Unlike large

industries which had their production programmes scrutinized by the Development Wing, the small scale industries were not able to chalk out their programmes for a long period in view of the uncertainty of the supply of iron and steel and other materials. They should, therefore, be assured of the supply of raw material at least for a period of a year. In the absence of sufficient supply of raw material, the quality of products had suffered and the costs tended to go up. For the same reason, the development of ancillary industries was suffering. He suggested that some kind of arrangement between ancillary manufacturing units and the large industrial undertaking was necessary, so that the large units would look after the supply of raw materials, provide technical guidance to the ancillary units and absorb their products in their manufacturing programmes.

He referred to a point previously made that the system of giving essentiality certificates for new industries by the Directorate of Industries in Maharashtra State was rather strict and clarified that when the Directorate relaxed the procedure by dispensing with some of the inquiries, undue advantage appeared to have been taken by certain units and therefore some checks had to be reimposed.

Regarding industrial statistics, he mentioned that in other countries Industrial Associations generally provided assistance to their members. As statistics were the basis on which production programmes were arranged, statistics were made available in certain European countries by the Associations to their members the very next month. Technical and other services were also provided by the Associations to their members and hardly anything was done by Government in these respects. It was, therefore, necessary that the Industrial Associations in this country should develop in these directions and render services to their members.

Shri K. V. Sheshadri who was rapporteur for Section III, stated that in view of the remarks made by Dr. Mandlekar, it was not necessary to summarize the discussion in that section. He referred to a point regarding Land Acquisition proceedings and clarified that the State Government had since amended the procedure in that connection so that though a person had not received a licence under the Industries Act but had submitted his application to the Central Government, he could go in for the acquisition of land and necessary notifications were issued by Government.

CONCLUDING SPEECH

by

SHRI G. L. MEHTA,

Director of the Seminar

Friends, I should like, first of all, to say how educative this Seminar has been for several of us, I suppose all of us, at any rate myself. I shall come to the objective of the Seminar a little later because we have to follow up these useful discussions, but may I say two things? First, the spirit in which the discussions have been carried on has been admirable and the approach to various questions has been a cooperative endeavour; it has been a constructive and helpful approach. Undoubtedly, there have been some complaints and grievances, but I should say that people representing industries have also recognised the difficulties of the administration and have been self-critical. So have some of the official spokesmen and this shows that both sides recognise one another's difficulties.

Now, you would not expect me, in the course of the next twenty minutes or so, to summarise the whole discussion that has taken place, but I shall try, to the best of my ability, to deal with some of the important points.

First of all, let me say that this Seminar has been convened to devote attention to procedures, problems of procedures, that is Governmental procedures in the main, in regard to establishment of industries. Obviously, you cannot divorce policy and procedures because these procedures are designed and devised to implement policies, and, therefore, there is inter-relation between them. But I should say that the discussion has centred principally on procedures and processes and techniques rather than on the broad policies which are the background, and this has been to the good. One of the speakers, Shri Malhotra for example, mentioned that these procedural questions are important, because through improvements in procedures we cannot only speed up industrialization but also reduce the costs of production. We always speak of "rapid" industrialization in our country but we should also occasionally speak of "healthy" industrialization, healthy in the sense that it is suitable to our environment and

conditions and in consonance with the consuming capacity and standards of living of the people and integrated with the national economy.

I should now like to deal with a few broad issues which have been raised during the two days' discussions. Our friend from Mysore, Shri Suryanarayan, raised some fundamental questions. First, we have to recognise that there is a new concept of the State, namely that of the Welfare State. Some people ridicule this conception, but I believe it is basic today. If our democracy is to survive and if we have to have stability in our country we have to work towards a Welfare State. Without distracting from the merits of British legacy in many respects, we might say that the basic conception in the past was that of a "law and order State" and a State for collecting revenues. How far we have advanced may be a matter of controversy but we have done so and want to do more. Secondly, as I said yesterday — and every speaker has also recognised it—we have to operate within the framework of a planned economy and consequently a certain amount of regulation, control, guidance, supervision are necessary and unavoidable.

That brings me to a very important point. When we say that Government should do a particular thing, we have to remember that Government, after all, consists of human beings and the attitude and approach of the officials to any problem is, therefore, very relevant. That was the point to which Shri Suryanarayan drew our attention. Here, there are undoubtedly difficulties and these have to be faced.

I refer to the question of consistency in policy and coordination in administration combined with the question of decentralization. Everybody always wants both uniformity, consistency as well as devolution and decentralization. Now, this is a question of balance, of compromise and of practice. It also involves the question of coordination — coordination between the Central Government and the State Governments, coordination between different State Governments, coordination between one department of Government and another. Another question is that of uniformity and flexibility. People argue both ways as it suits them at different times. They say there should be uniformity when it suits them; at other times they say that there should be flexibility and the decisions should be taken on the merit of each case. Now, both these are true. There should be consistency and each question has also to be judged on merits. Therefore, we have to harmonise these two aspects in a proper way.

It is important that regulations, laws and rules should be administered and implemented properly and the policies should

be interpreted properly. It depends on an individual as to how far he should go in the matter of interpretation. When Government acts according to law we say that Government is very strict. And so it is sometimes suggested that Government should be flexible. This flexibility is necessary but it must not mean action according to whim. We always say that our planning should be pragmatic and not dogmatic but it need not be erratic. With due deference, I would say that so far as New Delhi is concerned, what happens is that a particular person who has authority in his hands issues some order which may be contrary to the decision given by some one else. We have to take account of human nature. We cannot ignore the whims of persons. Such difficulties arise not only in our country but elsewhre also. Let me say on the authority of Union Minister, Shri Lal Bahadur Sastri, that when Shri D. L. Mazumdar who is in charge of the Company Law Administration returned from his tour from abroad, he said that in the U.S. or the U.K. they do not need to have such legislation for regulating companies as we have. It is a reflection on us. There must be reasons for such legislation. All that we can legitimately ask for is that those who deal with questions like licensing should have some knowledge and background and they should take a positive, helpful and constructive attitude. The attitude of many persons in authority is to say 'no' because that ends everything. When they say 'no', all their troubles are over. It is not an attitude with which we want to build up our Welfare State.

Dealing with some of the issues that have been raised during the last two days, the problems of small scale industries has been repeatedly mentioned. I do not think that this seminar was convened only for consideration of small scale industries. But along with others, this should be considered. Problems of small scale industries are different in many ways from those of medium and large scale industries. People who run these industries have not got the same resources and technical equipment. Government has, therefore, set up a Small Scale Industries Corporation for technical and other assistance. The State Finance Corporations are also meant to help these industries. Somebody pointed out that there should be some institute or advisory body for such industries. I believe that multiplicity of organizations is not good. The same people are there on different bodies. They are so busy that they do not find time to attend any meetings. When I was with the Planning Commission, I tried to rationalize several Advisory Committees. There are even Advisors to these Advisory Committees. The result of all this is that nobody knows how many committees are there. Members of the Planning Commission themselves presumably do not know how many Advisory Committees and Sub-Committees are there with the Planning Commission. I

may tell you that a well-known person told me that he is on a consultative committee which has not been convened for the last five years!

There is the question of foreign exchange and foreign collaboration. First, I think we are apt to exaggerate this question of foreign collaboration so far as the small scale industries are concerned. So far as the foreign exchange is concerned, I have personally inquired into this matter. The Corporation with which I am associated is the only institution (apart from Government) which is in a position to give foreign exchange loans through its line of credit with the World Bank. We have also got five million dollars (or about two and half crores of rupees) from the Development Loan Fund from the United States Government which we hope to use for small-scale industries. The World Bank line of credit is on a global basis. So far as Development Loan Fund is concerned, there is a provision that an amount up to two and half lakh dollars, that is nearly twelve lakhs of rupees can be given as foreign exchange loans without consultation with the World Bank and which can be used to help small-scale industries. We have given such loans during the last year and some more are under consideration and one or two of them would be utilized in some of the industrial estates. Our Corporation does not give any rupee loans for the obvious reason that we do not wish to compete with the State Financial Corporations set up specifically for this purpose. There are other ways in which small scale industries can get D.L.F. loans, for instance through twenty million dollars (or Rs. 10 crores) going to be given to the Industrial Finance Corporation. Out of the loans to Industrial Finance Corporation and the Industrial Credit and Investment Corporation, an amount upto one lakh dollars, that is Rs. 4.75 lakhs, can be utilized for purchases in any country in the world. Above that the purchases have to be made in the U.S. Some time ago, we had circulated to the Chambers of Commerce, the State Finance Corporations and Banks that we have these facilities for foreign exchange loans. Let us ascertain the component of foreign exchange in small scale industries of various kinds. Such industries try and use indigenous machinery and equipment; they resort to hire purchase system. Or, they obtain cash licences from government. We should see this problem in its proper perspective.

Another matter that was raised was about the licensing policy of Government. We had a full discussion about delays in procedures. In the Central Industrial Advisory Council the other day, the Commerce Minister in reply to some of my criticisms mentioned that there were only 490 applications pending with Government. My complaint there was not only about the delays but, as some of you have mentioned, also about the need for weeding

out some of the previous applications which have been kept pending without being disposed of. It is not that they should be necessarily rejected. But there is a process of revalidation every six months. Probably, an application is time-barred after some time. The progress report is published every year. It will show the number of applications pending. Applications which have not been used should be weeded out and this should be made known, so that other entrepreneurs might know.

There is also the question of time lag mentioned by members and the question of coordination between the Development Wing and the Directorates of Industries and Import Control. As regards finance, Shri Pochhkanwala has already explained the working of the State Finance Corporation. The question regarding working capital has been explained by Shri Parikh and so I need not say anything more about it.

One point mentioned by Shri Gheevala in his paper was regarding coordination between the Industrial Credit and Investment Corporation and the Industrial Finance Corporation. As a matter of fact, there is quite good coordination between the two, since we keep in touch with each other and exchange information and views.

It is true that financial institutions should not only provide finance to industries but also provide technical services where possible. We are trying to do this as far we can on our own as also in cooperation with other institutions. Besides, it is necessary that we should inculcate a certain measure of financial discipline. When industrialists put up a proposal or project, it is not always properly prepared. By that I do not mean the language or grammer but a precise and exhaustive examination of the proposal. That was my experience on the Tariff Commission also. I am not saying this to sit on judgement on anybody, but we seem to lack this quality and we have to evolve financial discipline. An institution which gives large loans on a long-term basis has to follow different criteria from those followed by a commercial bank. There are parties who do not send any data about a project and yet want to obtain loans over the counter! But we are not prepared to lower our standards in this respect. Secondly, we are working in collaboration with the World Bank and it has to be satisfied about the projects requiring foreign exchange loans. We have to judge not only the creditworthiness of a concern but also its profitability for a number of years, its cash flow and so forth. Such technical and financial examination of a project requires time. I can give you the example of the Hindustan Aluminium Ltd., which received financial assistance from the Export Import Bank. It took six months for the concern to get the assistance. Dr. Man-

dlekar referred to the question of supply of raw materials even in the case of small scale industries. After all, Mr. Pochkhanwala is dealing with government money which ultimately is the taxpayers' money. He has also to take proper safeguards. So far as the pooling of financial resources is concerned, mention was made of the Shroff Committee's report. Some efforts have been made in this direction and have been successful. Some underwriting operations have been done by some of the commercial banks, the Life Insurance Corporation, the Industrial Finance Corporation, the Industrial Credit and Investment Corporation and others.

The question of foreign collaboration was also raised. On this issue, Shri Sabade and other friends mentioned some points. Shri Ramaswami answered them and stated that proposals of collaboration are carefully examined by Government. Every agreement for foreign collaboration is not approved by Government which scrutinizes every proposal including the terms of collaboration, royalty payable, etc. That does not mean that in every case Government decision is right but there is an examination on the merits of the proposal. I may mention two other points in this connection. Shri Sahukar will remember that at the Central Industrial Advisory Council I had stated that Government should broadly decide in what industries we want foreign collaboration and for what purpose. There are several reasons for which foreign collaboration is considered necessary. It may be to acquire technical "Know-how" or, as Shri Seshadri mentioned, to obtain research facilities at comparatively cheap cost or to get some patents or processes which would cheapen the cost of production. There is some indirect advantage in that we come rather late in this race of industrialization so that the experience and knowledge gathered by other countries in respect of research and development at great cost would become available to us. This is an important point. Secondly, we are short of foreign exchange and if an industry is essential, then the fact that the foreign collaborator is putting in money is very useful. These are some of the grounds on which foreign collaboration is allowed by Government. No doubt, the effects of any agreement on indigenous industries have to be examined. It should not be a craze to start industries with foreign collaboration only. In 1948-49, when I was in the Tariff Commission several industries which asked for protection contended that they were strategic—including the preserved foods industry which claimed that preserved food is necessary in war. Now every industry comes forward with the argument of saving exchange. There are factories and plants where capital goods, machinery, industrial raw materials — everything is imported. The technical personnel is also imported. Only land and building, water and fuel are ours; as also labour. I am not criticizing all this. This may be justified in some cases. But we

have to examine what precisely is the saving in foreign exchange and when that saving will be achieved. It may be said that in the long run such saving may be achieved but as Keynes said, "In the long run we shall all be dead." It is also essential to be sure that exhorbitant terms are not charged by foreign collaborators.

The establishment of an Investment Centre has been under consideration for the last three or four years, but more actively, to use an official expression, during the last eighteen months. The Investment Centre is to serve principally to disseminate information and enable contacts between Indian and non-Indian industrialists. People abroad would like to know our various procedures which we have been discussing—licensing, foreign exchange, land acquisition, raw material position, labour legislation, taxation and so on. We hope to open an office in New York also. I have seen a very successful office conducted by the Netherlands Government in New York; the Italian Government and the Japanese Government have also such offices. The Centre will, of course, work within the four corners of the Plan. We have a regulated economy in a sense, and therefore, it will be within the framework of the Plan that we shall work. There is considerable interest in industrial and financial circles in the U.S., the U.K. and West Germany. The Centre will also help medium and small scale industries. There are two aspects of the work: our own people wanting to know where they should go for assistance or collaboration and foreigners wanting to know about India. As we develop this organization, this Centre will be able to put people in touch with foreign collaborators; foreign collaborators will be put in touch without own people. Also, when foreign industrialists come here and go to New Delhi, they do not know where to go, how to go, what to ask for and so on. This is the main objective.

I do not wish to take up much of your time on the questions of import control, foreign exchange procedures, etc., as Shri Ramaswami has already explained these yesterday.

Regarding the question of selection of industry, I may say that people who want to start industries do not go and look at the books published by Government. They have certain ideas of their own. But there are small scale entrepreneurs who would like to have assistance in this respect and there should be facilities and services available for them. I hope that, in the course of five years or so, our Indian Investment Centre would have various branches in the country which would give this sort of information. Some information is available at present in the Reports of the Planning Commission. The Ministry of Commerce and Industry also publish a report every year indicating the gaps in our

industrial structure. Then there are the Directors of Industries and offices of the Development Wing and others with whom one could discuss and obtain information.

I now come to the question of location of industries and their over-concentration in the City of Bombay. During the last few years since my association with the Industrial Credit and Investment Corporation I have been asking people who come to me why they prefer to locate their factories in Bombay. They say that power is cheap, there is the port nearby, there is transport facility, labour is available, market is there and so on. These conditions are undoubtedly there. But, I think by having industries here in Bombay, we are creating many sociological problems. We should not have all our economic progress or development only in terms of industrial production. There are so many problems that have to be tackled, namely, the problems of housing, transport, education, health, sanitation and so on. These problems are themselves tremendous. Every morning it is really heart-breaking to see people coming by the electric trains. They travel in very difficult conditions. It is, therefore, necessary to avoid more congestion in Bombay. If we have to solve this problem, we will have to create certain facilities and give certain concessions at other places where we want industries to shift. If an industrialist wants to shift his factory in a particular place outside Bombay, Government should not stand in his way. This can be done without any harm to economy.

We have discussed the question of transport including railways. One might say something about sea transport also, particularly so far as coastal trade is concerned. I do not want to go into the question of labour laws as that has been amply dealt with during the course of the discussion. The question of having industrial statistics, particularly statistics regarding small scale industries was also referred to. We will have to improve upon these statistics and also make new information available to industries. The question of forms how they could be standardized and rationalized — was also discussed. These are all important questions, no doubt. There is, however, one point to which no attention was drawn. At least when I was on the Planning Commission I had heard something about it. I refer to the question of delay in the payment of bills by Government. It is found that very often people do not receive payments for months together. This has an important bearing on the cost of production, on the need for working capital and on several other things. This is also question to which we might address ourselves.

Well, I think our two days' discussion has been very helpful.

perience for me to be associated with it and to be able to participate in these deliberations. My test of success of any committee I attend is the number of new things I learn, and I may tell you that so far as this seminar is concerned I have learnt quite a lot. I hope that this is true of all of us. As I said earlier, the spirit of discussion has been very good. People have listened to one another with great care and attention. Sound and genuine interest has been taken by all. This seminar is representative of all interests. It is not representative of Government only or of Chambers of Commerce and Industry. In a way, it is somewhat similar to the Planning Commission. Whatever assistance it needs should, therefore, be given to this institution. We should follow up the seminar in two ways. We should prepare a report of the discussion on the basis of papers submitted to it. Then the copies of the discussion should be sent to Government both Central and State Governments. The Finance Minister, Shri Wankhede, has assured me that the State Government would give all possible assistance. The copies of the report should also be sent to the Planning Commission and other authorities at the Centre and here.

I would like to thank all those who have sent papers or participated in the discussion. I would like to conclude by expressing our sincere gratitude to Shri Pardasani without whom I do not think that the seminar would have been held. We are also grateful to the Government for the courtesy and hospitability in making available all these facilities. I would conclude with a very sincere vote of thanks to all of you who have participated in the discussion, particularly to the officials who have come from New Delhi.

Shri N. S. Pardasani, Honorary Secretary of the Bombay Regional Branch of the Indian Institute of Public Administration, expressed gratitude to the Director and mentioned that though the idea of holding the seminar was mooted only two months back, it was possible to organize the seminar within a short time because of the interest taken by him. He also thanked the members of the Steering Committee set up to organize the seminar, the contributors of the background papers and all those who participated in the seminar. He referred to the point mentioned by the Director in his concluding speech that the proceedings of the seminar would be followed by the publication of the report and stated that similar to the committee appointed for the seminar on Problems of Urban Housing held by the Branch in 1959, the Director might constitute a Committee by associating some of the participants with the Steering Committee, which would process the proposals and the suggestions made in the discussion

and the background papers and formulate the conclusions and recommendations of the seminar.

Shri N. D. Sahukar thanked the Director for conducting the deliberations of the seminar and referred to his unique position as representing both the public and the private sector. He thanked the Indian Institute of Public Administration (Bombay Regional Branch) for having taken interest in the subject and organized a seminar. He expressed satisfaction at the manner in which several officials had recognized the need for improvement in existing procedures. He supported Shri Pardasani's suggestion regarding the follow up of the seminar and expressed the readiness of those engaged in industry to be associated with it.

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

1. Approach to Industrial Development

(*i*) In the context of planned economic development a good deal of investment is taking place in the country both in the private and the public sectors. There is, however, a big leeway to be made up in the degree of industrialization as well as diversification and dispersal of industries.

(*ii*) Though the general atmosphere for development of industries is now more favourable than it has been in the past, starting an industry in this country has become a time consuming matter due to the need for following varied and intricate procedures at different stages.

(*iii*) Industries, whether large-scale, medium or small, encounter difficulties in regard to the formalities and procedures laid down in Government rules from time to time.

(*iv*) These difficulties are, to some extent, unavoidable and are connected with problems of policy. As we have to operate within the framework of a planned economy, a certain amount of regulation, control, guidance and supervision is necessary and unavoidable.

(*v*) Though the seminar was concerned mainly with the consideration of procedural difficulties and delays experienced by entrepreneurs in starting new industrial units or in expanding existing units, the problems of policy could not be wholly dissociated from them and were, therefore, broadly referred to.

(*vi*) There is need for combining uniformity of policy with a certain measure of flexibility in administering and implementing the regulations in practice. For this purpose, there has to be close coordination between one department of Government and another.

(*vii*) As the interpretation of Government policies and their implementation is necessarily done by individual officers, it is essential that those who deal with the problems of industries should adopt a positive and helpful attitude towards the difficulties of those engaged in industry.

2. *Main Problems for Investigation*

The problems of starting an industrial enterprise were discussed at the seminar under the following heads.

Section I — Promotion: Registration, Industrial Licensing, Capital Issue, Long Term Finance, Foreign Exchange, Technical Know-how, and Terms of Collaboration with Foreigners.

Section II — Construction: Location, Land, Building materials, Power and Fuel, Equipment and other services.

Section III — Operation: Raw materials, Labour Transport, Marketing and Working Capital.

SECTION I

Promotion — Registration, Industrial Licensing, Capital Issue, Long Term Finance, Foreign Exchange, Technical Know-how, and Terms of Collaboration with Foreigners.

3. *Registration*

The main difficulty experienced regarding registration relates to the exhaustive forms prescribed under the rules for furnishing statistical information to the Development Wing and other departments of Government. As a large number of forms are to be filled in, it imposes a great deal of clerical work upon the industries. In order to remove this difficulty, a standardized form should be devised for furnishing information which will be useful to various departments of Government.

4. *Industrial Licensing*

(*i*) On account of delay on the part of Government in dealing with applications for industrial licences, a large number of applications are pending with it. The situation is accentuated by ar rapid increase in the number of applications. Government should, therefore, try to eliminate delay and weed out some of the applications in order to give opportunities to new entrepreneurs. The entrepreneurs, on their part, should furnish all requisite information vital for examination of their applications so as to avoid unnecessary correspondence and consequent delay.

(*ii*) There should be greater coordination among the departments of Government concerned with the processing and examination of applications for licences.

(*iii*) There is, in particular, need for collation of up-to-date information in regard to all industries so that applications for

additional capacity in any industry may not be sanctioned in cases where the demand for the product does not justify such addition, and the applications may not be turned down in cases where such addition was warranted.

(*iv*) In several cases, people who get licences sit tight over them with the result that persons who are really anxious to start industries do not often get the necessary opportunity to do so. Government should, therefore, scrutinize the progress of implementation of industrial licences issued and keep vigilance over such licences as are not given effect to and wherever necessary, withdraw them after giving notice. Though this policy has been accepted in principle, it requires to be implemented with greater vigour.

4. *Functions of the Development Wing*

(*i*) The Development Wing should also be able to guide and advise the applicants wherever the latter are asked to furnish additional information or effect alterations in their original propositions.

(*ii*) The staff of the Development Wing should be strengthened with persons having requisite technical qualifications, reasonable knowledge of finance and business methods of industries.

(*iii*) There should be closer liaison between the Development Wing and the industrial organizations so as to post the latter with all information and particulars concerning the promotion of new industries and the expansion of existing units.

(iv) Since the large-scale industries have to approach the Government of India for licences under the industries (Development and Regulation) Act, import licence, capital issue, foreign exchange, settling terms of foreign collaboration, etc., industrialists have to maintain close contact with the Government of India to complete formalities and to pursue and expedite matters. Ordinarily, it is not possible for small firms with limited resources to do so. In many cases, the new entrants to industries do not have adequate information regarding the formalities to be gone through at the Government of India level. Establishment of guidance and liaison bureaux at a few centres, where industrial activity is expected, will be of considerable importance to small entrepreneurs.

(v) In the absence of reliable statistics relating to existing capacity and consumption, entrepreneurs have some difficulty in selecting the kind of industry they should promote. There is, therefore, a need for more organized dissemination of information specially for medium and small scale industries.

6. *Import Licence and Foreign Exchange*

(i) There is, at present, a considerable time lag between the procurement of licence under the Industries (Development and Regulation) Act and the procurement of licence under the Capital Goods Licence Act, which should be reduced and if possible, eliminated by issue of these licences simultaneously.

(ii) There is some lack of coordination between the Development Wing and the Import Control Authorities with the result that there are difficulties in securing raw materials or components and spares required for the operation of plant and machinery already installed.

(iii) The procedure for getting sanction for the foreign exchange component of any scheme is cumbersome and the applicants are put to lot of inconvenience by being obliged to contat and correspond with the authorities concerned very often. The Development Wing should avoid this by expediting the consideration of the technical aspects of scheme.

(iv) A certain measure of delay in sanctioning foreign exchange is inevitable due to the shortage of foreign exchange resources. In order to minimise delay in the disposal if applications for foreign exchange, it is necessary that the applicants should furnish full and definite information about their foreign exchange requirements indicating where they would like to buy their equipment and show also their order of preference.

(v) Some of the delay in the issue of import licences is due to the failure of the industrialists to comply with the rules and regulations relating to import trade. They should state Income Tax Verification numbers in their applications, pay requisite fees before the date of expiry, attach treasury receipts to the applications and whenever necessary, enclose an essentiality certificate along with their applications, so that there would not be delay in issuing import licences.

(vi) As applications are not received evenly throughout the year but mostly on the closing days of the period, they have to be processed within a few days.

(vii) As the recommendations of the State Directors of Industries regarding the foreign exchange requirements of small scale industries are not binding upon the Import Control Authorities, regional committees should be set up by the Government of India to consider applications of small scale industries, which are likely to earn or save foreign exchange, for import licence for plant and machinery.

7. *Foreign Collaboration*

(i) Foreign collaboration should be allowed only in specialised industries requiring a high degree of specialised skill and after taking into consideration the scope for developing indigenous enterprises to meet the required demand.

(ii) The general difficulty in regard to schemes involving foreign collaboration is that on the one hand, foreign firms are unwilling to conclude terms of collaboration unless they are given an assurance in advance that the same will be acceptable to the Government of India and on the other, schemes involving foreign collaboration are not approved by the Government of India unless it has an opportunity to examine the terms of collaboration from different aspects. The procedure whereby the Government of India can accord general approval to foreign collaborations subject, if necessary, to certain conditions being fulfilled, deserves further consideration.

8. *Long Term Finance*

(i) While giving long term loans to industries, the Banks experience difficulties in collecting necessary information with the result that sanctioning of loans is delayed.

(ii) Some entrepreneurs are not able to produce proper progress reports which can eanble the Banks to assess the profitability of particular projects. Unless the industry's capacity to earn profits and thereby to repay loans is established, the Bank advancing the loan would be called upon to finance it further as also extend the period of the loan already advanced.

(iii) In respect of loans by Government to small scale industries, there is delay and the factory-owners are put to hardships and unnecessary expenditure because too many officers of the State Government collect the same information. The Department of Industries should work out a better procedure to avoid duplication and delay.

(iv) As difficulties often arise due to ignorance of the provisions under the various rules and regulations, the appointment of a liaison officer in the Directorate of Industries, Maharashtra State, is specially welcome.

(v) A document about loan is often required to be stamped in different ways in different States; this imposes a financial burden upon the borrower. In the matter of loan terms finance where a bank requires a mortgage ,the stamp duty is very heavy and seriously raises cost to industry. Government should, therefore, bring about uniformity through legislation and also generally reduce the stamp duties.,

(vi) There should be greater coordination among the various financial institutions which gave different types of credits to industry on the mortgage of different types of assets, so that the conditions imposed on the borrower are not unreasonable.

(vii) There should be pooling of technical resources available with the various financial institutions. They should also give technical guidance and suggest better production methods so as to improve efficiency and lower cost of production. The lending institutions should ensure that a new enterprise has adequate machinery and expert knowledge to work out the scheme successfully.

(viii) After a loan is sanctioned, there should be a follow up to verify that the loan amount is being utilized for the purpose for which it has been sanctioned.

(ix) There are sometimes difficulties in underwriting the issue of capital due to the controversy on the question of deduction of tax on preference capital and the publication of the prospectus. A company and its underwriters have often to face a very difficult question as to whether a full and complete prospectus has to be published in the newspapers which, perhaps, is not permissible under the Companies Act, but the underwriters permit it provided such publications is the responsibility of the company. The position should be clarified by the Company Law Administration Department to which representations have been made in the matter.

9. *General*

At the State level, an entrepreneur has to apply to several authorities like the Director of Industries, the Chief Inspector of Factories and the various departments of the local body, like the Municipal Corporation. In order to avoid duplication and delay, a form covering all relevant aspects should be devised to enable an applicant to submit copies to the agencies concerned. These agencies should, in turn, arrange to meet periodically to consider such applications in a coordinated manner.

SECTION II : *Construction — Location, Land, Building Materials, Power and Fuel, Equipment and other services*

1. *Location Policy*

(i) As the proper location of an industry has a direct bearing on its successful working and future expansion and is of great social importance from the point of view of the employment opportunities and incidental social costs, it is necessary for the

State to assue a positive role and adopt a well thought out and constructive policy regarding location of industries.

(ii) The growth of industrialization has resulted in conglomeration of industries in a few areas which have become congested while large areas in the mofussil remain undeveloped. To prevent the setting up of industries in places which are already congested and to bring about industrialization of undeveloped areas, Government should provide such undeveloped areas with the necessary basic facilities and attract industries by offering them suitable concessions like cheap power.

(iii) Special attention is required to be paid to the programme of development of industrial estates and satellite townships. Besides, the provision of land, water, power and communications and other facilities which are directly connected with production, social services like schools, hospitals and markets should also be taken into account. It would be desirable to entrust the task of implementing this programme to an autonomous corporation with adequate financial resources so that it could be completed speedily and in a coordinated manner.

(iv) Local bodies should also take initiative in attracting industries to their areas by giving them concessions in local taxes and by providing basic facilities.

2. *Land Acquisition*

(i) When an industry requires land in a particular area, the State is expected to assist it under the provisions of the Land Acquisition Act. The proceedings under this Act usually take a long time and the development of industry is sometimes delayed for a number of years. In order to acquire such land a clearance has to be obtained from the Director of Industries, the Revenue authorities and the rival claimants. In doing so, several difficulties are encountered by industrialists, resulting in annoyance and delay. It often happens that the selected area has not been included by the Municipal authorities in the industrial zone; or, it may not be possible to put up structures in the area because of nearness to a national highway; or again, there may be streams in the area which cannot be diverted. Unless the authorities concerned with such various aspects act expeditiously and in a co-ordinated manner, lot of time may be wasted.

(ii) The industrialists are required to lock up large sums of money by way of cash deposits under the Land Acquisition Act. There should be no objection to accepting Government securities or Bank guarantee in lieu of cash deposits.

3. *Building Materials*

Steps should be taken by Government to ensure that the delivery of building materials, specially of iron and steel against orders placed by industrial units on the producers on the strength of the quota certificate issued by the Government of. India, is made in time and at prices specified.

4. *Power*

(i) Though the position regarding the supply of electric power is likely to be eased during the Third Plan in certain areas, it will be necessary to set up diesel operated power stations in many places particularly to meet the requirements of small scale industries. In doing so, preference should be given to areas with immediate potentialities for industrial development.

(ii) Where a factory is situated within the jurisdiction of a local electric supply company and the company is not in a position to extend its line to the place where the factory is situated,. Government should arrange to supply power to the factory from its own mains.

(iii) When the licensee is in a position to supply power to a factory, Government should not ask the factory to obtain the licensee's permission but must assist the factory in getting the supply.

(iv) Where electric supply is not readily available from any source industrialists should be permitted to instal their own power units.

5. *Fuel*

(i) As the supply of coal has not been steady, Government should establish regional centres to store buffer stocks of coal to meet the normal requirements of industry. These stocks should be suitably located so as to avoid transport bottlenecks.

(ii) The distribution of the available supplies of coal, coke, raw materials in short supply, etc. would be facilitated if the chambers of commerce or associations of industries could assume the responsibility for undertaking the work of distribution.

6. *Water Supply and Drainage*

(i) While preparing water supply schemes for towns, the requirements of certain industries which use large quantities of water should be ascertained. For this purpose the authorities concerned should be in touch with the principal chambers of commerce and associations of industries so that the neessary information from those engaged in industry could be obtained.

(11) To meet the problems of disposal of effluent from chemical and allied industries, there should be coordination between the State, the local authorities and industry.

SECTION III : *Operation — Raw materials, Labour, Marketing and Working Capital*

1. *Raw materials*

(i) Unlike industries which have their programmes scrutinized by the Development Wing, the small scale industries are not in a position to prepare their programmes over a long period due to the prevailing uncertainty in the supply of raw materials. The quality of their product has, therefore, suffered and costs have tended to go up. These industries should be assured of the supply of raw materials for at least a year.

(ii) Some kind of arrangement between these small scale industries and large industrial undertakings is also necessary, so that wherever possible, the large units can look after the supply of raw materials, provide technical guidance and absorb the products of small scale industries.

(iii) Industries registered under the Industries (Development and Regulation) Act should be assisted by the Development Wing in the matter of securing raw materials, etc. even if the activities of such industries are later extended to items not originally covered.

(iv) In order to avoid frequent complaints by industries against the inferior quality of materials supplied to them by indigenous industries, the processed and semi-processed goods which serve as component parts of other finished goods should be certified under the Certification of Marks Act.

(v) Manufacturers of intermediate products should introduce quality control.

(vi) As there is no organized agency to settle dispute arising out of trade in materials between industrial buyers and sellers, Chambers of Commerce and Industries could play a useful role by taking upon themselves the arbitration of such disputes and by adopting and enforcing a code of fair trade practices.

2. Labour

(i) There is need for simplification of labour laws to improve employer-employee relations. Some of the present labour laws have the effect of undermining discipline.

(ii) Instead of multifarious social welfare legislation, there should be a comprehensive scheme to give industrial workers

all desired benefits under one administrative authority. Such a scheme would help the workers to get their benefits quickly and adequately and also reduce the cost of administration.

(iii) In order to meet the severe shortage of certain types of skilled personnel, a number of vocational training institutions should be set up for imparting instruction in handling jobs in various industrial establishments.

3. *Markets*

Large industrial organizations should develop consultative market services for industries and give assistance to their members in respect of product design, development of market facilities, prices and distribution.

4. *Working Capital*

Some of the working capital of industries is locked up as the amounts due from Government are recovered very late. Government should introduce measures for quicker settlement of bills, so that such amounts are released and the pressure on working capital for private industries is reduced.

5. *General*

There are several laws and regulations which govern industrial operations, e.g. the Factories Act, the Land Acquisition Act, the Indian Boilers' Act, the Smoke Nuisance Act, the Essential Goods Act and the Steel Control Order. Though the principles underlying these are socially desirable and are in some cases also intended to directly assist industries, the manner in which they are being interpreted and enforced is often destructive and tends to hamper the development of industry. It is necessary that Government Officers should adopt a helpful and constructive approach in assisting industrialists to operate under the present rules.

"SOME PROMOTIONAL ASPECTS OF INDUSTRIES"

(By — Dr. M. R. Mandlekar, Director of Industries,
Maharashtra State)

Never before in this country were conditions for industrialisation so propitious as they are today. Several factors have contributed for creation of favourable industrial climate in the country. The foreign collaborators are now coming forward for technical and financial participation in the new enterprises. Recently quite a number of reputed manufacturers abroad have not only permitted use of their trade mark to Indian manufacturers but also export of the products to the neighbouring countries, thus cordoning off exclusive areas for export of Indian made goods in foreign markets. This would help earn much needed foreign exchange and what is more, enhance the prestige of Indian made goods.

Recently Government of India have simplified procedure both for licensing and registration of the industries under the Industries (Development and Regulation) Act, 1951. The Ministry indicates from time to time the lines which may be developed and in which scope exists, as also those which may not be considered for some time, the targets for the 2nd plan having been reached. It is noteworthy that industrial machinery and machine tool lines enjoy a high priority for licencing. Schemes involving special consideration are referred to the Licensing Committee generally while quite a large number of cases are dealt with by the Ministry and the Development Wing according to the broad directives of the Licensing Committee. All these steps have indeed been conducive to the speedy clearance of cases.

In the early years of the implementation of the Industries (Development and Regulation) Act, 1951, position of foreign exchange was comfortable as compared to the conditions obtaining today. The proposals involving deferred foreign exchange payment arrangements were then favoured. The foreign exchange position has now been rendered difficult and deferred payment arrangements are not generally favoured; schemes involving either equity capital participation with foreign firms or purchase of

plant and machinery from rupee currency exchange countries are acceptable to the Government of India. Organisation of large-scale industry requires considerable planning and thought. This coupled with many considerations, specially phasing of production programmes, liabilities arising out of royalty payments, if any, and several clearances that have to be obtained at the Government of India level, are time consuming. Schemes involving foreign collaboration and foreign exchange take considerable time for finalisation. Some foreign firms have been declining to negotiate with the Indian industrialists unless they have some sort of confirmation of the scheme having met with the approval of Government of India. But the proposals are not usually accepted unless Government of India have an opportunity to examine the terms of foreign collaboration for assessment of exchange liabilities. In such cases it should be considered advantageous to convey broad approval to the scheme giving some indications which would serve as a basis to enable the entrepreneurs, more or less, to arrive at agreed terms. At least in important schemes such steps will have considerable time for finalisation.

As regards the requirement of foreign exchange for small industries, the difficulties are of different nature. Number of entrepreneurs with technical know-how at their command submit proposals for import of raw materials and machinery. After having given some thought to planning, the small investors wanting to invest about Rs. 3 to Rs. 4 lakhs in the form of fixed capital, naturally expect some sort of assurance in the matter of import of machinery, raw materials and in few cases, collaboration with foreign companies. These small schemes are not sponsored by the Development Wing and the recommendations of the State Directors of Industries are not binding on the Controller of Imports, for apparently these proposals have to be viewed in the larger context of the country's economy and foreign exchange position. Small scale entrepreneurs have been ventiliating their grievance time and again and complain that medium and large scale industry, assisted by Development Wing, receive a better deal. The uncertainty of Government assistance in the matter of import of machinery and raw materials for small industries quite often discourages the potential entrepreneurs from undertaking such a venture. No doubt, the schemes for small scale industries envisaging quick earning or saving of foreign exchange are generally assisted by issuing import licences for plant and machinery. Since, however, the procedures cause some avoidable delays, it may be worth-while to set up four regional committees to deal with the applications.

The small entrepreneur should also be enabled to plan activities for a longer period for which continuity of supplies of es-

sential imparted raw materials would be necessary. It is now recognised that they should be considered for allotment of materials on a shift or day basis.

It has been observed that the Ministry of Commerce and Industry has been directing the industries licenced under the Industries (Development and Regulation) Act, and wanting to add new items not covered by the schedule to the Act, to approach the State director of Industries for assistance in the matter of raw materials etc. This creates a situation when an industry has to approach two different authorities for assistance of identical nature. It would be advisable in such cases that industries licenced or registered under the Industries (Development and Regulation) Act are assisted only by the Development Wing even if the activities of the industries are expanded by taking manufacture of items not covered by the Act.

According to the present procedure, essentiality certificates for import of raw materials are not generally issued to the small scale industries unless they produce evidence to the effect that they have secured licence for machinery and that it has been shipped by the suppliers. This is apparently intended to eleminate the misuse of imported raw materials. However, since applications for essentiality certificates are invited once in six months, new units are at times faced with an unfavourable situation as the imported machinery cannot be commissioned for production activity for want of raw materials. It seems, therefore, necessary to evolve some procedure which would assure the new units some raw materials. Supply immediately after the machinery is received. This may possibly be achieved by issuing a provisional licence for raw materials on some convenient basis.

The policy regarding import of steel has been rather unsteady. This has resulted in considerable dislocation of production schedule in the small industries. Even if imports are reduced on account of foreign exchange shortages, a fairly steady policy should be pursued. In fact, iron and steel supplies and certain other materials and alloys are very essential for a wide range of small scale industries; acute shortage is felt now in some categories — tinplates sheets, plates, wire and non-ferrous metals. There has to be a bold policy for establishing large units, the production of which would help small entrepreneurs all over the country. Thus virgin metals, ingots and billets will be treated in merchant mills, so that the products thereof can be conveniently distributed all over for the use of small scale entrepreneurs. They require assurances particularly for supply of right type of raw materials in proper manner.

With the creation of favourable climate and facilities, considerable industrial activity is witnessed in the western part of the State. With the stricter restrictions imposed on import of several semi finished products and some raw materials which are available from indigenous sources, the importers are now channelising their finances to industrial activities. Since large scale industries have to approach Government of India for licene under the Industries ((Development and Regulation) Act, import licence, capital issue, foreign exchange, settling terms of collboration etc., industrialists have to continuously maintain close contact with Government of India to complete formalities and to pursue and expedite matters. Ordinarily it would not be possible for small firms to maintain a liaison office at Delhi. In many cases, it has been observed that the new entrants to industry do not have even the basic information regarding the formalities that have to be gone through at the Government of India level. Some sort of guidance and liaison bureau at four or five important places in the country where marked, industrial activity is witnessed, would be of considerable assistance to small industrial entrepreneurs. These centres would not only be able to advise on procedural matters but also can refer such cases to appropriate Ministry or Wing, where finalisation of cases might take unduly long time. The need of the day is to assist industry expeditiously the enthusiasm of the entrepreneur and the tempo of industrialisation now attained is maintained.

"LONG TERM FINANCE"

By Managing Director,
Bombay State Financial Corporation

The availability of long term finance, at reasonable rates of interest, preferably through a credit agency is a vital pre-requisite for starting an industrial enterprise.

Long-term finance is generally useful for acquiring fixed assets land, building, plant and machinery and if at least fifty percent of such funds were to be made available through credit agencies, repayable over a long period, it would considerably facilitate the early establishment of an industrial concern as well as release a major portion of its own funds for other purposes particularly for working capital. Before a concern embarks on its programme of establishing a new concern, it is very necessary that it should prepare its own Project report or have such a report prepared by experts experienced in the line of manufacture to be undertaken. One of the subjects such a Project Report should be to deal with and suggest means for arranging long-term finances. Assuming that a concern is agreeable to invest at least 50% of its own capital towards investment in Block assets, the concern should arrange for the balance of its requirements preferably from a credit agency. In addition, the concern should also provide for at-least 10% to 20% of its expected annual turn-over by way of working capital. If adequate working capital cannot be arranged from its own funds, suitable arrangements should be made with any scheduled bank or other similar credit institution. The availability of adequate working capital may well govern the life expectancy of such a concern and very often it is the lack of adequate provision for working capital which brings new concern into difficulties in its initial stages. The amount of provision necessary for working capital will very much depend upon the type of industry, the nature of production undertaken and the estimated annual turnover. Generally it is observed that the element of working capital required by a small scale industry is comparatively larger in comparison with its investment in block assets. This means that a new concern, before embarking on its project should first make sufficient provision from its equity capital to-

wards working funds or arrange for adequate funds for working capital from other credit institutions.

Assuming, therefore, that a concern has raised adequate equity or partnership capital for atleast half the value of its block assets and atleast 10% to 20% of its expected annual turnover by way of working capital, the concern can assume that it may be eligible for assistance from a State Financial Corporation to the extent of atleast half the value of its block assets to be repaid on long-term basis.

The Bombay State Financial Corporation offers assistance to all types of concerns of the Corporate as well as the non-Corporate type, including private limited companies, proprietory and partnership firms, Hindu undivided family concerns and Cooperative Societies. The Corporation assists all types of industries excepting those engaged in the extraction of oil from edible oil-seeds with a view to protecting the village oil ghani and those engaged in flour milling, with a view to protecting those engaged in the handpounding of cereals. We are generally guided by the industrial policy of the State and the general policy enunciated under the Five Year Plan.

The Corporation considers applications for loans from small and medium scale industries from Rs. 10,000/- to Rs. 10,00,000/-.

(a) for acquiring fixed assets like land, building and machinery.

(b) for repayments of existing debts, if the same have been arranged at comparatively high rates of interest.

(c) by way of replenishment of the concerns' resources where the same have been utilised since the last 2 or 3 years for acquiring block assets.

(d) for working capital in certain circumstances on the merits of each case.

The loan is generally advanced against the security of the existing fixed assets of a concern as well as those to be acquired including those assets to be acquired from the loan keeping a margin of 50% of the total value of the security.

The loan carries a rate of interest of $6\frac{1}{2}$% p.a. and is generally to be repaid within a period of 10 years by 17 half yearly instalments commencing from 24 months from the disbursement of the loan. The loans are generally to be guaranteed by those persons who have a substantial financial interest in the concern. The loans are disbursed as and when the assets for which the loan is sanctioned are duly acquired. The Corporations also accepts non-industrial assets like residential buildings, and other tangible assets by way of additional and collateral security.

The Corporation has recently appointed the following scheduled banks, having a large network of branches, as Agents.

(a) the State Bank of India.
(b) the Central Bank of India Ltd.
(c) the Devkaran Nanjee Banking Co. Ltd.
(d) the Canara Bank, Ltd.
(e) the Punjab National Bank, Ltd.
(f) the United Commercial Bank, Ltd.
(g) the Bank of Baroda, Ltd.
(h) the Bank of Maharashtra, Ltd.

In terms of the Agency arrangement, the said banks have been requested to receive applications at mofussil centres and assist the local concerns in completing our application forms. The banks will also receive funds on behalf of the Corporation at mofussil centres and exercise supervision and control over such local concerns. This means that a new venture even in distant mofussil districts need approach only one credit agency for all its information regarding short, medium and long-term finance.

The Bombay State Financial Corporation is also acting as the Agent of the State Government for advancing loans to small-scale industries. Under this arrangement a small scale concern, which includes any concern having fixed assets of a value less than Rs. 5,00,000/- irrespective of the number of workers employed, would be eligible for assistance under the liberalised terms of the State Aid to Industries Rules 1935. Concerns situated on monthly rented premises are also eligible but whilst computing the value of its fixed assets, the annual value of its rent is capitalised at 8% p.a.

Under the aforesaid arrangement, loans from Rs. 10,000/- to Rs. 75,000/- and in exceptional cases up to Rs. 1,00,000/- are offered to all types of concerns engaged in all types of industries excepting those mentioned above and for the purposes as mentioned above, with regard to loans offered by the Corporation, loans are given up to 75% of the value of security which means that for every Rs. 100/- worth of security, loans can be given up to Rs. 75/-. The rate of interest chargeable varies with the amount of loan sanctioned as under:

(a) Loans from Rs. 10,000/- to Rs. 25,000/- are given at 3% p.a.

(b) Loans from Rs. 25,000/- to Rs. 50,000/- are given at 4% p.a.

(c) Loans from Rs. 50,000/- to Rs. 1,00,000/- are given at 5% p.a.

The security generally acceptable is the fixed assets but stocks may also be included if assistance is desired for working capital. Non-industrial assets are also accepted as security.

The above are the principal terms on which assistance is offered by the Corporation, but each case is considered on merits. Detailed information can be obtained on request from:

(1) The Managing Director,
Bombay State Financial Corporation,
United India Building, 1st Floor,
Pherozeshah Mehta Road, Fort, Bombay.

(2) The Branch Manager,
The Bombay State Financial Corporation,
Indian National Building, Mount Road Extension,
Nagpur.

(3) Any branch of the above scheduled banks acting as our Agents.

The approach of the Corporation is sympathetic and constructive and no effort is spared to understand the problems of the particular industry approaching us and we provide such assistance as may be fruitful and beneficial to the applicant concern with due regard to the interests of the Corporation.

PROBLEMS OF STARTING AN INDUSTRIAL ENTERPRISE

(By Industrial Credit & Investment Corporation of India, Bombay.)

This paper is concerned with the problems of promotion in starting an Industrial Enterprise and will therefore deal with such matters as Registration, Industrial Licensing, Import Licences, Capital Issue, long term finance, Foreign Exchange, Technical know-how and terms of collaboration with foreigners and other allied subjects.

We shall confine ourselves in this paper to an Industrial Enterprise by a limited company although the problems of a limited company or of an individual or individuals setting up an Industrial Enterprise are much the same. The advantages of a limited company are obvious. The most important of them is its character as a body corporate.

This character is obtained on its registration or incorporation. On the registration of the Memorandum of the Company, the Registrar certifies that the company is incorporated under the Act and if it is a limited company it is certified accordingly. From the date of incorporation of the company, the subscribers together with the Members of the Company are regarded to have formed a body corporate, a distinct legal person capable of exercising all its functions and capable of enjoying all the benefits conferred by the Act and having a perpetual succession and a Common Seal.

REGISTRATION OR INCORPORATION

The procedure for the incorporation of a company and the matters incidental thereto are governed by the provisions of Part II of the Companies Act, 1956.

The process of registration of a company may be divided in three parts viz.,

(1) the proposed name of the company;

(2) the drafting of the Memorandum and Articles of Association;

(3) the actual registration.

A company cannot take up, or be registered under, a name identical with the name of any other company in existence or so similar to the name of some other company as to cause comparison or mislead the public. Under Section 20 of the Companies Act, 1956, no company shall be registered by a name which, in the opinion of the Central Government is undesirable. Besides under The Emblems & Names (Prevention of Improper Use) Act, 1950, it is prohibited to register a company with a name specified in the Schedule to that Act. In practice, the promoters or other persons concerned in the establishment of the new company, or their lawyers engaged in that work, write to the Registrar of Companies to ascertain if there is any objection to the company registering by the name selected.

The drafting of the Memorandum and the Articles of Association is usually entrusted to Solicitors although this may not be necessary. It is common knowledge to all how long Solicitors take to prepare these drafts. Except for the clause on the main objects of the company in the Memorandum and the provisions in the Articles on the rights and interest or dividend payable on the Preference Shares, the Memorandum and Articles of a company are in standard form especially after the coming in force of the Companies Act, 1956. It would avoid delay and unnecessary expense if with the help of somebody who knows and has experience of these matters, the draft of the Regulations provided in Schedule I, Table A, be taken as the Articles of Association of the company. Sections 15 and 30 of the Companies Act, require that the Memorandum and the Articles respectively should be printed. Perhaps this requirement is not absolutely necessary to incorporate a company. It would certainly speed up matters if the law were amended, not to insist upon their printing, for the purpose of incorporation.

The procedure for registration of the Memorandum and Articles is given in Section 31 of the Act. The obligation on the Registrar of Companies to accept the declaration by an advocate, attorney, pleader or chartered accountant engaged in the formation of the company or the Directors and officers mentioned is indeed helpful but what makes it difficult is the excessive fees payable to the Registrar.

[The table of fees to be paid to the Registrar is given in Schedule X of the Act.]

The registration of the company makes it a legal person with perpetual succession but the company can only commence business when it has obtained the Certificate of Commencement of

Business. This is provided for in Section 149 of the Act. The Registrar shall on the filing of a duly verified declaration where a prospectus is issued or the statement in lieu of the prospectus where no prospectus is issued, certify that the company is entitled to commence business. This Certificate is essential for the following two reasons:—

(a) until the Certificate is issued the company cannot commence any business or exercise any borrowing powers;

(b) any contract made by a company before the date at which it is entitled to commence business shall be provisional only, and shall not be binding on the company until that date, and on that date it shall become binding.

It is an important matter to bear in mind that a contract entered into by a company before the date on which it is entitled to commence business is not binding upon the company, but is provisional only, until the day, on which the company is entitled to commence business.

INDUSTRIAL LICENSING

The Industries (Development & Regulation) Act, 1951 provides for the development and regulation of certain industries laid down in the first schedule to the Act.

The following categories require licences under the various provisions of the Act:-

(1) New undertakings pertaining to the scheduled industries provided they employ more than 100 workers and have fixed assets, i.e., land, building and machinery of not less than Rs. 10 lacs in value.

(2) Existing undertakings which propose to effect "substantial expansion" as defined in the Act.

(3) The manufacture of "new article" as defined in the Act.

(4) Carrying on the business of existing undertakings which for one reason or another have not been registered or licensed so far under the Industries (Development & Regulation) Act.

(5) Shifting of existing industrial undertakings from one location to another.

Before taking steps for setting up an undertaking or its substantial expansion, etc., an application for the licence or permission is required to be made. In each case 7 copies of the

application have to be submitted to the Secretary, Ministry of Commerce & Industry, Udyog Bhavan, New Delhi, in the relevant forms appended to the Rules. The application must be accompanied by a Treasury Challan for Rs. 50 credited under the head "XXXII Industries & Supplies — Miscellaneous Receipts". The prescribed forms require information inter alia in respect of details of proposed capital structure, foreign collaboration or investment envisaged, requirements of foreign technicians, proposed location, lines of manufacture proposed, number of estimated working days in a year, estimated requirements of raw materials, requirements of capital equipment, rail transport, area of land required, water supply, power supply, staff and labour etc.

After the applications so submitted have been considered by the Licensing Committee or the Ministry, as the case may be, a communication is sent by the Government setting out certain terms and conditions on which a licence under the Industries (Development & Regulation) Act will be issued. On receipt of this communication the applicant should reply to the Ministry, as soon as possible, whether the conditions proposed to be imposed are acceptable to them. A licence under the Industries (Development & Regulation) Act is issued on receipt of this letter of acceptance.

Wherever the proposals envisage —

(a) the import of plant and machinery,

(b) the issue of capital exceeding Rs. 10 lakhs,

intending applicants are required to submit their applications to the Chief Controller of Imports and Exports in the case of (a), and the Controller of Capital Issues, Ministry of Finance, in the case of (b).

SANCTIONS REQUIRED UNDER THREE HEADS

Thus the sanctions which any industrial project needs from the Government of India in the Ministry of Commerce and Industry fall broadly under three heads:-

(a) Approval to the proposal in terms of capacity, location, etc., after consideration by the Licensing Committee set up under the Industries (Development & Regulation), Act.

(b) Approval of the foreign exchange expenditure on the import of plant and machinery.

(c) Approval to the terms of foreign collaboration, if any,

In the matter of licences under the Industries (Development & Regulation) Act, Government have taken a number of decisions to enable applications to be disposed of without reference to the Licensing Committee. The following decisions will be of particular interest to industrialists:-

(a) Industrial undertakings, whether they are new units or schemes for expansion which employ less than 100 persons and whose fixed assets will be less than Rs. 10 lacs of value can proceed without applying for a licence under the Industries Act. In regard to import of plant and machinery these undertakings may approach the Development Commissioner, Small Scale Industries, New Delhi, and the Director of Industries in the concerned State. As for raw materials, assistance has to be sought from the Director of Industries.

(b) Lists of industries will be prepared from time to time in which Industries Act licences will be freely approved. In such industries the Licensing Committee has recommended that extra capacity may be sanctioned without reference to them. This would mean that applications for licences which are covered by the description given in this list may, either simultaneously with their application for a licence or as soon as thereafter, submit proposals for any other approvals that may be needed from Government such as for the import of capital goods or the terms of collaboration with overseas firms.

(c) Similarly Government will bear in mind that in particular industries, for one reason or another, it may not be possible to sanction fresh capacity for some time. Application in this behalf will be rejeted without reference to the Licensing Committee. However, the lists of these industries will undergo frequent changes.

The type of cases which will continue to receive full consideration from the Licensing Committee will be mainly those which relate to major projects or developments in industries in which regional considerations, availability of raw materials, transport problems and other similar factors play an important role.

Even in respect of cases where Industries Act licence will be freely given, the applicants will have to process cases relating to grant of import licence for capital goods and for foreign collaboration, etc. These are considered by the Capital Goods

Committee of the Ministry of Commerce and Industry, which have been merged into one to facilitate consideration of such cases.

In spite of all the efforts taken, there is considerable delay in obtaining Industries Licences in processing and disposal of applications at the Ministry, the Development Wing and the Licensing Committee.

IMPORT LICENCES AND FOREIGN EXCHANGE'

Government have not found it possible for a considerable time now to make allocations of foreign exchange, in all cases, out of the foreign exchange resources to finance importation of plant and machinery required by industry. The possibilities for the grant of import licences are, therefore, limited to those types of cases where either:-

(a) the applicant himself can make satisfactory arrangements for raising external finances, or

(b) Government have facilities in the shape of credits or payments arrangements with particular countries to finance such imports. (Currently, these facilities are available from the U.S.A. and those countries with which rupee payment agreements have been entered into, viz. U.S.S.R., Czechoslovakia, Poland, etc.)

So far as (a) above is concerned, the forms of financing which are acceptable to Government are investment in the equity capital of the company or long-term loans.

As regards short-term deferred payments, repayment liabilities in the coming five to six years are heavy and Government are anxious not to add to it. Therefore, only such cases of import of plant and machinery are being approved on deferred payment basis as are likely to result in a quick saving or earning of foreign exchange to enable the payments for the machinery to be made out of such earnings or savings.

Persons intending to import goods into India are required to apply either to the Chief Controller of Imports and Exports or to the Regional Licensing authorities.

Applications for import licences for capital goods and heavy electric plant are required to be made in triplicate in the form specified in the Red Book containing the import trade control policy together with 5 copies of the list of goods proposed to be imported to the respective authorities. Applicants have to give full particulars and description of the plant required indicating

particularly whether the project comes under the purview of the Industries (Development & Regulation) Act, and if so, whether the licence under the Act has been obtained or not. Imports of such items of machinery and plant as are manufactured within the country are not generally allowed. As for applications for import of second-hand or reconditioned machines, these have to be accompanied by a certificate of a Chartered Engineer in the country of origin indicating the age of the machinery, its present condition and expected life. If possible, a photograph of the machinery proposed to be imported should also be furnished. Applicants have to fulfil all conditions which are of general application, e.g. income-tax verification certificate number, treasury receipt, etc.

Applications for import licences for capital goods are considered under three broad categories as follows:-

(a) Import Licences against long-term overseas investment;

(b) Import Licences against medium credits; and

(c) Import Licences authorising cash payment.

As a general rule, applications for import licences for substantial values of plant and machinery which are needed for setting up new projects or for making major additions to the existing ones, are generally considered against long-term overseas investment. In other words, the value of plant and machinery should be covered by —

(a) foreign capital investments which are not likely to be remitted back for a period of 10 years or so;

(b) long-term loan in foreign currency obtained from agencies like The Industrial Credit and Investment Corporation of India Limited, Bombay, International Finance Corporation, Washington, Commonwealth Development Finance Company Limited, London.

The only exception to this is where the import of machinery is covered by any special arrangements with particular countries to finance imports.

Applications against medium-term credits, are considered when the outlay on imported plant and equipment is relatively small and is likely to be covered by savings or earnings of foreign exchange as a result of the implementation of the scheme, say, within a period of three years. Government do not encourage imports against short-term credit in view of the heavy repayment liability in the coming years.

Applications for grant of a cash licence, are considered where the amounts involved are not large and where there is little possibility of any alternative mode of payment.

All cases under the categories mentioned above are considered for issue of import licences by the CG/HEP Committee/Sub-Committee, after these have been scrutinised by the technical authorities concerned except applications up to Rs. 2 lacs which are considered by the Chief Controller of Imports and Exports.

The scheme for grant of licences for heavy electric plant extends to such plant and machinery which are essential for electric power project required both for the public and private sectors as also for power generating plant required for factories. Applications have to be made in triplicate to the Chief Controller of Imports and Exports through the Central Water and Power Commission, Power Wing, Government of India.

As regards applications for import of machinery and equipment, needed for small-scale industries, valued above Rs. 50,000 these have to be addressed to the Chief Controller of Imports and Exports in the specified form together with an essentiality certificate from the Director of Industries of the State concerned or the Regional Development Commissioner, Small-scale Industries. Applicants should specifically state whether the equipment proposed to be imported is the entire requirement for the completion of the scheme, and if not, the value of the balance of the equipment that would be required later must be indicated. It is considered imperative that a consolidated application covering the entire requirement of machinery and equipment should be submitted instead of piecemeal applications. As for applications valued below Rs 50,000 they are to be submitted to the port authorities concerned.

Having regard to the considerations set out laying down the limits for grant of import licence, it is of utmost importance that:-

(a) Applicants for import licences for capital goods should clearly specify the country or countries from which imports are to be made. It is not enough to indicate a currency area in vague terms.

(b) Applicants should indicate alternative sources of supply in the order of preference so that depending upon the availability of resources the application could be considered for any of the alternatives indicated.

(c) Applicants should clearly indicate whether in the event of their being given a cash import licence against credits available to Government they would be in a position to find the rupee resources to take advantage of the licence.

To facilitate consideration of applications for import of capital goods and heavy electrical plant a separate division has been created in the Office of the Chief Controller of Imports and Exports.

Applications for capital goods and heavy electrical plant referred to in para 3 (iii) below should be addressed to the Special Officer, Capital Goods, Office of the Chief Controller of Imports and Exports, Udyog Bhavan, Maulana Abdul Kalam Azad Road, New Delhi.

Application for plant and machinery required for new industrial undertakings, expansion of existing units and for balancing and replacement purposes for which the licensing authority is the C.C.I. & E., New Delhi, should be addressed to the above officer in triplicate in the form specified in Appendix VI (E) to the Red Book for the licensing period April/September 1959 together with five copies of the list of goods proposed to be imported. Applications which are to be submitted to the J.C.C.I., Bombay, or J.C.C.I., Calcutta, are not affected by this procedure.

In order to ensure early and favourable consideration of their applications applicants are requested to pay special heed to the following points:-

(a) It is essential that applications should specify clearly the country or countries from which it is proposed to import the equipment. It is not enough to indicate a currency area such as the sterling area or dollar area.

(b) Wherever possible, alternative sources of supply should be indicated in order of preference.

In view of the shortage of foreign exchange many otherwise deserving applications may have to be turned down unless either:-

(a) the importer himself is able to put forward satisfactory proposals for financing the foreign exchange required for the import; or

(b) the import can be paid for under any loans or payment arrangements available to Government.

The possibilities of the applicant himself arranging for the foreign exchange required to finance the import are briefly indicated below:-

(i) Foreign investment in the capital of the project to the extent necessary to cover the requirements of plant and machinery.

(ii) Long-term loans in foreign exchange from bodies like The Industrial Credit and Investment Corporation of

India Limited in Bombay, the International Finance Corporation in Washington, the Commonwealth Development Finance Company Limited in London, or any other sources.

Supplier's credit or deferred payment arrangements will only be approved in exceptional cases when Government are satisfied that the savings in foreign exchange resulting from the production of the capital goods to be imported will be more than sufficient to meet the payment liability. Similarly, such arrangements may be approved if there is a satisfactory guarantee of exports of the goods for the production of which the plant is to be imported.

It is open to importers to ascertain in advance whether a particular form of financing will be acceptable to Government and also to enquire whether imports can be authorised against loans or payment arrangements negotiated by the Government. To do so, intending importers can address the Special Officer, Capital Goods, indicating the value of the equipment, the purpose for which it will be imported and the country or countries from which it will be imported without waiting to prepare a detailed list.

PAYMENT FOR IMPORTS

Import licences are issued in duplicate, one copy being marked for "Customs Purposes" and the other for "Exchange Control Purposes". The Customs copy is for presentation to the Customs authorities for clearance of goods on arrival, and the Exchange Control copy, which serves as an authority for making remittance in foreign exchange in payment of the goods, is for presentation to the authorised dealer through whom the remittance is to be made. No remittance for payment of goods, which are subject to licence, can be made without the production of the Exchange Control copy of the relative licence. Where the goods to be imported are covered by an Open General Licence, for which no specific licence is issued, remittances in payment of the goods may be made on production of documentary evidence of import.

Possession of an import licence marked for "Exchange Control Purposes" carries with it authority to remit foreign exchange up to the amount stated in the licence. Unless otherwise indicated by the licensing authorities, the sale of foreign exchange can be made only to the person named in the import licence.

Importers, who are in possession of an import licence are allowed to cover their exchange risks by making a forward purchase of the foreign currency concerned from the authorised

dealers. Foreign exchange in respect of goods to be imported under Open General Licence can also be covered for the period for which letters of credit are opened. The authorised dealers have, however, instructions to offer forward cover only in those cases where a letter of credit has been opened or a firm order for the goods has been placed abroad and accepted.

Letters of credit covering the import of goods subject to licence may be opened up to the amount stated in the licence, in favour of the manufacturer, supplier or shipper of goods for any period, provided the date of expiry of the credit is not later than 30 days after the final date of shipment specified in the import licence.

The basic Exchange Control regulation governing payments for imports is that payment must be made in the currency of (or credit to a non-resident account of) the country of origin of the goods, irrespective of the country from which the goods may be supplied or shipped. Accordingly, remittances against imports may either be made in the currency of the country of origin of the goods or by payment in sterling or rupees to the account of a resident in that country according to the method of payment permitted for transactions with the country concerned. Payments for imports by a method other than the one prescribed are not permitted except with the prior approval of the Reserve Bank.

Normally, import licences are issued for the c.i.f. value of the goods to be imported and the importer concerned is entitled to make the remittance to the full amount stated in the licence. But when the goods are imported on an f.o.b. basis, leaving the freight and insurance to be paid in rupees to the agent in India, the remittance in foreign exchange can be made only to the extent of the f.o.b. value of the goods, irrespective of the value specified in the licence. When remittances are made on the strength of the Exchange Control copy of an import licence, the authorised dealer concerned would endorse the amount remitted on the reverse of the licence.

Marine Insurance: Marine Insurance policies can be taken out in Indian rupees or foreign currencies except in the case of coastal shipments which are insurable only in Indian rupees. Normally, permission to cover risks with an insurer outside the country and to remit the premium is not granted unless the risks are of a type that cannot be covered in India.

Any disbursement of marine claims in foreign currency requires the Bank's permission and applications should be supported by documentary evidence. Claims in respect of exports from India can be disbursed in foreign currency, only if the ownership has

already passed into the hands of the foreign importer. Claims in respect of imports, will be allowed in foreign currency, only if the goods are still in the ownership of the foreign exporter.

FOREIGN INVESTMENTS IN INDIA

In principle, the entry of foreign investment is encouraged in the field of manufacturing and in industries for which adequate capacity does not already exist in the country. Ordinarily, foreign investments in trading and financial enterprises are not permitted. Besides, the investment should eventually contribute to strengthening the foreign exchange position of the country, though the production of commodities which would lead to a saving of foreign exchange on imports or an addition to it through exports. Further, investment should lead to increased efficiency in the field concerned. The foreign investors should also normally be prepared to accept a minority interest in the firm or company. Finally, sufficient opportunities should be provided for training of Indian nationals in the operation and management of the enterprise. These criteria have been applied in a liberal manner, each case being considered on its merits. For example, majority participation by foreign investors has been permitted in several instances.

All applications involving foreign investments in industrial enterprises in India have to be addressed to the Ministry of Commerce and Industry (Industrial Policy Section), Government of India, New Delhi. The applications have to be prepared in quadruplicate in the prescribed form which can be had from the leading Chambers of Commerce in India. This requirement applies whether the investment project involves establishment of new industrial units or expansion of existing units with the collaboration of foreign investors, and whether the capital subscription represents an initial issue of capital to non-residents in a new company or additional issue of capital in an existing company, a part or whole or whose shares is already owned by non-residents and the company wishes to offer or allot new shares out of the fresh capital issue to non-residents.

The Government of India will inform the applicant of their decision while formal authorisation under the Foreign Exchange Regulation Act will be issued by the Reserve Bank.

In addition to foreign investment control, incoming foreign capital has also to seek permission from the Controller of Capital Issues, Ministry of Finance, Government of India. But unlike foreign investment control which operates irrespective of the amount invested, capital issues control applies only where the total issued capital exceeds Rs. 10 lacs. In the case of proposals

attracting capital issues control, the investors are advised to make an application to the Controller of Capital Issues, simultaneously with their application to the Ministry of Commerce and Industry. Although normally the applications for foreign investments are made by registered companies or firms, there is nothing in the regulations which prevents an individual investor making an application in support of an investment proposal.

REPATRIATION OF FOREIGN INVESTMENTS IN INDIA

Transfers of capital invested in India by sale or liquidation of interests by non-residents require prior approval of the Bank. In approving applications for transfer of sale proceeds abroad, a distinction is made between investments repatriated by residents of sterling area countries, and residents of non-sterling area countries. Repatriation of investments from sterling area countries is allowed freely, on application. In the case of investments from non-sterling area countries, the procedure adopted is as follows:-

(i) capital invested after January 1, 1950 in projects approved by Government may be repatriated at any time thereafter together with profits ploughed back, and any capital appreciation in the value of the investment;

(ii) purchases of shares in the stock exchange, unless it is specifically approved by the Government after January 1, 1950 will not qualify for the facilities referred to in (i) above.

While this is the general policy in regard to repatriation of investments of non-sterling area origin, there is no bar to other applications which do not satisfy the above conditions being considered on their merits and repatriation being permitted in individual cases.

FOREIGN CAPITAL AND DEVELOPMENT OF INDIAN INDUSTRIES

The Government of India's policy on the subject of participation of foreign capital in Indian Industries is announced by the Prime Minister in Parliament from time to time. Special emphasis has been placed on the following points:-

(a) Government would expect all undertakings, Indian and foreign, to conform to the general requirements of their industrial policy.

(b) Foreign interests would be permitted to earn profits subject only to regulations common to all. The existing

facilities for remittance of profits would be continued and Government had no intention to place any restrictions on withdrawal of foreign capital investments, but remittance facilities would naturally depend on foreign exchange considerations. If, however, any foreign concerns came to be compulsorily acquired, Government would provide reasonable facilities for the remittance of proceeds.

(c) If and when foreign enterprises were compulsorily acquired, compensation will be paid on a fair and equitable basis. (The compensation paid to the shareholders in the Kolar Gold Field is a valuable precedent.)

(d) Government will not object to foreign capital having control of a concern for a limited period, if it is found to be in the national interest, and each individual case will be dealt with on its own merits.

It has also been stressed that with a view to safeguarding the interests of the Indian Consumer who, in the absence of efficient units in the fields of production, was not likely to receive the benefit of reduced price or improved quality, even though he may continue to bear the incidence of protective duties in such fields, competition would be encouraged generally so long as it can be achieved in a manner not detrimental to the ultimate interests of the Indian producer. Government also did not consider that the growth of a foreign-controlled concern, even with the assistance of some protection that may be given to any particular industry in general, would be detrimental to the interests of the nation. On the other hand, it was bound to be advantageous to the country at large and in the interests of the Indian industrialists in the long run. In granting licences to foreign concerns for establishing any new industrial units in the country, the possible effects of such a step on the existing undertakings in the same field would be kept in view, subject, of course, to the interests of the consumer. An unlimited field will not be allowed to foreign capital in the trading section since it should be left to indigenous enterprise and initiative. Special scrutiny will therefore be made where trading rights are to be vested in a foreign concern.

FOREIGN TECHNICIANS — EXEMPTIONS

With a view to attract Foreign Technicians to develop industry in India, a new Clause (xiva) was added to Section 4 (3) of the Indian Income Tax Act, 1922, by the Finance Act, 1955 exempting from tax the salaries drawn by Foreign Technicians in

India under certain conditions. This Clause was further amended by the Finance Act, 1956.

In a Press Note issued on 15th January, 1956, the Government of India clarified that in order to be eligible for the exemption provided under the abovementioned clause, a foreign technician must satisfy the following conditions:-

(i) he must not be a citizen of India;

(ii) he should not have been "resident" in India in any of the four financial years immediately preceding the financial year in which he comes to India for employment;

(iii) his services in India must be rendered as a technician irrespective of the designation of the post in which he is employed.

In order that he may be considered a technician a person must have specialised knowledge in industrial arts and sciences and experience in industrial practice, and his employment in India must be in a capacity in which such specialised knowledge and experiene are brought into play.

The benefits available to a person who satisfies the above conditions are as follows:-

(a) a foreign technician whose contract of service is approved by Government before its commencement will not be required to pay tax on the remuneration due to him from his employment in India for the financial year in which he comes to India and for the two financial years immediately following;

(b) a foreign technician who does not qualify for the exemption referred to in (a) above, will, however, be exempted from payment of tax on the remuneration due to him for a period of 365 days from the date of his arrival in India.

Requests for the Government's approval of the contract of service should be addressed to the Secretary to the Government of India, Ministry of Commerce & Industry, New Delhi. Such requests must be made sufficiently early so that the Government's decision may be communicated before the individual takes up his appointment. The application (which should be in duplicate) should set out, inter alia, the precise need for a foreign technician, the technical qualifications and experience of the person concerned, the nature of the duties to be performed by him in India, the duration of his employment, and the remuneration proposed

to be given to him. At this stage, the only decision the Government can take is whether they approve the contract or not. The approval of the contract is, however, only one of the conditions to be satisfied before the benefit of Section 4 (3) (xiva) is available. The Memorandum from Government intimating their approval to the contract should be produced in original (along with the copy of the application) before the Income-tax Officer concerned, who will accept the same as final in regard to Government approval; and then proeed to satisfy himself only in respect of the other conditions prescribed for the eligibility to the benefits of Section 4 (3) (xiva).

FOREIGN CAPITAL AND INDIAN TAXATION

In recent years efforts have been made to make the investment climate generally favourable through liberal depreciation allowances, substantial tax rebates and exemptions for new industrial undertakings etc. These tax incentives are equally available to Indian as well as foreign capital without discrimination.

The facilities for repatriation of foreign capital have been referred to earlier.

The following circumstances in respect of tax may be noted:-

(a) *Profits of New Industrial Undertakings:* One of the distinct features of the Indian Income-tax Act is the tax holiday given to new industrial undertakings, which begin to produce or manufacture goods in any part of India before 1st April, 1966. Profits of such undertakings are exempt from both income-tax and super-tax up to 6% of the capital employed, if the following conditions are satisfied:-

 (i) the industrial undertaking is not formed by splitting up or by reconstruction of any business already in existence or by transfer of assets used in any business which was being carried on or before 1st April, 1948; and

 (ii) it employs ten or more workers in a manufacturing process carried on with the aid of power (i.e. mechanical or electrical energy) or employs twenty or more workers in a manufacturing process carried on without the aid of power.

This concession is applicable for five assessment years immediately following the year in which the assessee begins to manufacture the goods.

Dividends declared by such a new industrial undertaking out of its income exempt from tax in the above manner is also exempt from income-tax and super-tax in the hands of the shareholders, which would otherwise have been liable to tax in their hands. This benefit is also available to non-residents who invest in shares of newly established industrial undertakings of the type mentioned above.

(b) *Exemption from Corporation Tax on Dividends Received from Certain Industrial Undertakings:* Ordinarily, a company which invests its funds in other companies has to pay corporation tax on the dividend income derived from those investments. The company declaring such dividends has also to pay corporation tax on its profits out of which such dividends are declared. However with a view to encourage intercorporate investment in certain basic industries, it has been provided that dividends received by a company, resident or non-resident, from an Indian company will be exempt from corporation tax, if certain conditions are satisfied.

(c) *Tax Exemption for Certain Employees:* Any income received by an employee of a foreign company which is not engaged in any trade or business in India as remuneration for services rendered by the employee during the course of his stay in India is exempt from tax, provided the stay does not exceed 90 days in a year.

The Tax exemption of Foreign Technicians is referred to earlier.

(d) Free or concessional home leave passages.

(e) Donations for charitable purposes.

(f) Double Taxation Relief in respect of countries with whom agreements have been concluded.

India allows all companies resident in India unilateral relief on income accruing or arising abroad but taxed in both the countries. This relief is available to all subsidiary companies incorporated in India, since the criterion of residence is automatically satisfied in their cases. Even foreign companies operating through a branch in India will get the benefit if their income in India is more than the income outside. The unilateral relief given in these cases is 100% of the Indian tax or 100% of the tax of the foreign country on the doubly taxed income, whichever is lower. Apart from residence, the only other condition that has to be satisfied is that the doubly taxed income should not have accrued or arisen in India.

Further these is exemption on certain types of loans raised abroad.

A new clause (xviib) was inserted in Section 4(3) of the Indian Income-tax Act, 1922, by the Finance (No. 2) Act, 1957, to exempt interest on certain foreign loans from tax.

Prior to the introduction of this clause interest payable on moneys borrowed abroad was chargeable to income-tax and super-tax if it was paid in India; if such moneys were brought into India in cash or in kind, the interest was chargeable to tax even if it was payable outside India. The new clause (xviib) provides that the interest payable by the Central or State Governments or a local authority on moneys borrowed outside India from foreign citizens and institutions shall be excluded from total income and that interest payable by Indian industrial undertakings on loans taken from approved foreign financial institutions or suppliers of capital goods under terms approved by the Central Government shall also be exempt.

The exemption contemplated above is however restricted to interest on foreign loans incurred on the purchase of capital plant and machinery abroad, where the terms of repayment are specifically approved as such by the Central Government.

Besides the above with a view to encourage the establishment of new industries and to help the existing ones to renovate their plant and machinery, the Indian Act provides for depreciation on a very liberal scale and for the grant of an outright development rebate. The various types of allowances are in respect of normal depreciation, double shift allowance, temporary structures, obsolescence allowance, set off and carry forward and development rebate.

It should be emphasized that the Indian law does not discriminate between Indian Companies and foreign Companies as such. A foreign company investing capital in India pays income-tax at the same rates as the Indian company. It will pay corporation tax also at the same rates if it distributes its dividends in India and deducts super-tax from dividends paid to non-resident shareholders. If, however, it does not choose to do so, it has to pay a slightly higher rate of corporation tax.

CAPITAL ISSUE

By the Capital Issues (Control) Act, 1947, Government have provided for the control over issues of capital.

Under the act an "issue of capital" means the issuing or creation of any securities whether for cash or otherwise, and includes the capitalisation of profits or reserves for the purpose of converting partly paid up shares into fully paid up shares or increasing the par value of shares already issued; and

"Securities" means any of the following instruments issued or to be issued, or created or to be created, by or for the benefit of a company, namely:-

(i) shares, stocks and bonds

(ii) debentures

(iii) mortgage deeds, instruments of pawn, pledge or hypothecation and any other instruments, creating or evidencing a charge or lien on the assets of the company; and

(iv) instruments acknowledging loan to or indebtedness of the company and guaranteed by a third party or entered into jointly with a third party.

No company can make an issue of capital without the consent of the Central Government.

Under Section 6 of the Act, Government have however granted certain exemptions by their Exemption Order dated 20th January 1949, which has since been amended.

The following have been exempted from the provisions of Sections 3, 4 and 5 of the Act viz. from the provisions relating to, control over issues of capital, control of advertisement of offer of securities for subscription etc., and purchase and sale of securities.

(a) The issue of securities other than bonus shares by any company not being a banking company or an insurance company or a provident society incorporated as a company and all transactions relating to such securities issued by any such company provided that the value of the consideration involved in such issue together with the value of the consideration involved in any previous issue of securities, not being an issue covered by clause 4, made by such company within the 12 months next preceding such issue shall not exceed ten lacs of rupees.

(b) The issue by a banking company of any shares in consequence of alteration, reduction or reorganisation of the share capital lawfully made or proposed to be made in compliance with sub-section (2) of section 277-1 of the Indian Companies Act, 1913, where the total amount of the existing subscribed capital is not thereby increased.

(c) Loans granted, and debentures taken up, by the Industrial Finance Corporation constituted under the Industrial Finance Corporation Act, 1948 (XV of 1948), or any State Financial Corporation constituted under the State Financial Corporations Act, 1951 (LXIII of 1951) or by the Madras Industrial Investment Corporation Limited or The Industrial Credit and Investment Corporation of India Limited or the National Industrial Development Corporation Limited .

Government have constituted an Advisory Committee and refer to it from time to time for advice any such matters arising out of the administration of the Act as the Government think fit.

Government have also passed Rules under the Act called Capital Issues (Applications for Consent) Rules 1954.

All applications for the issue of the capital under the Act, other than the securities exempted from the provisions of Sections 3, 4 and 5 of the Act by the Capital Issues (Exemption) Order, 1949, published with the Government of India, Ministry of Finance No. F114(1)-CCI/49, dated the 20th January, 1949, shall be made, in quintuplicate, to the Controller of Capital Issues, Ministry of Finance, Department of Economic Affiairs, New Delhi, in conformity with the requirements laid down in the questionnaire specified in the Schedule annexed to the rules.

Every application under these rules shall be accompanied by a Treasury receipt for Rs. 50 which shall, at Bombay, Calcutta, Delhi, Madras and Bangalore, be deposited in the Reserve Bank of India and at other places in the nearest Government Treasury or in the nearest Branch of an agency of the Reserve Bank. The amount shall be credited to the head "XLVI — Miscellaneous — Miscellaneous".

An application made under rule 4 shall include a request asking for:-

(i) the consent of the Central Government to the issue of capital under the provisions of the Act;

(ii) any alteration in the terms and conditions of a consent previously given by the Central Government or any extension of the period of validity for which such consent was given;

(iii) the regularisation of the issue of any capital made without the prior consent of the Central Government; and

(iv) the consent of the Central Government under the Act in respect of any matter not specifically mentioned in any of the foregoing clauses of the rule.

Where the capital proposed to be issued is in respect of an industrial undertaking for which a licence has to be obtained under the Industries (Development and Regulation) Act, 1951, an application for the licence should be made simultaneously in the form prescribed for that purpose in Registration and Licensing of Industrial Undertaking Rules, 1952, to the Secretary, Ministry of Commerce & Industry, Government of India, New Delhi.

Since this Seminar is held in Bombay it would be of particular interest to those participating in the Seminar to know the formalities to be complied with for establishing new industrial units in Bombay State, which briefly, are set out below:-

General: Industries are broadly divided into two categories viz. (i) scheduled and (ii) non-scheduled industries. Scheduled industries are those which are specified in Schedule "A" of the Industries (Development and Regulation) Act, 1951. Before any scheduled industry is proposed to be started or existing one is substantially expanded, it is necessary to obtain a licence from the Ministry of Commerce & Industry, Government of India, New Delhi. In case of non-scheduled industries neither any licence is necessary under the above Act nor permission from any Department of the State Government is required except in respect of land, buildings etc.

Requirements under the Industries (Development & Regulation) Act, 1951: If a party desires (i) to start a new industry (ii) to effect substantial expansion to an existing one (iii) to manufacture new articles related to a scheduled industry or (iv) to change the location of a registered undertaking; pertaining to any of the scheduled industries under the Industries (Development & Regulation) Act, 1951, it has to make an application in triplicate to the Secretary to the Government of India, Ministry of Commerce & Industry, New Delhi. Simultaneously two copies of the application are to be sent to the Director of Industries, Bombay.

A licence fee of Rs. 50 is to be paid in the nearest Government Treasury under the head "XXXII — Industries and Supplies — Miscellaneous Receipts".

If the factory is to be located in Greater Bombay or the Thana Taluka of the Thana District (for scheduled or unscheduled industry) the party has to obtain a Building Permit from the Director of Industries under the Bombay Building (Control on Erection) (Amendment) Act, 1950. Besides, owing to shortage of power and water in the Bombay-Kalyan-Poona-area,

an undertaking will have to be furnished by the party that in case power and water be not available from public sources, the same will be provided by themselves.

Requirements of Local Bodies: In case of certain specified industries it is necessary to obtain permission from local bodies (Municipalities, Notified Area Committees) for starting these industries. List of such industries can be had from the local authorities concerned. The application should be accompanied by a plan of the place and such other detailed information in writing as may be called upon. In addition, permission of the local authorities for the construction of buildings in connection with the Industrial Undertaking is necessary under the various Municipal Corporation Act, District Municipalities Act and Municipal Borough's Act, whether or not it is a factory under the Factories Act.

Land: In the selection of a site for industries, the party would be well advised to seek guidance in the initial stage from the local authority if the area is within the jurisdiction of a District or a Borough Municipality as also from Revenue Officers to make sure that the site is not included in a Town Planning Scheme. Normally, such construction is not permitted in a Town Planning Scheme area unless a portion thereof is reserved for such a use. It would also be necessary to find out whether any such site is affected by the proposals of a Master Plan prepared for that area. Unless these precautions are taken the party may find subsequently that the site purchased is being acquired either under the Town Planning Scheme or the Master Plan proposals for road or other public purpose. For this reason, it would be necessary to seek guidance from the local authority and the Revenue Officers in the first instance. Again only from these sources, correct information can be had regarding the availability or otherwise of services necessary for such industries. In case it is necessary to acquire land for this purpose the Collector of the District should be approached.

Bombay Building (Control on Erection) Act: Any erection, re-erection or alteration of Buildings in respect of industrial undertakings as also conversions of godowns for factory purposes in the Greater Bombay and the Thana Taluka of the Thana District is regulated by the Bombay Building (Control on Erection) Act, 1948, as amended from time to time. It is necessary to submit application in the prescribed form to the Director of Industries, Old Custom House Yard, Bombay, together with plans in duplicate with detailed calculation of steel and cement duly certified by an architect or chartered or qualified engineer. The plans of the proposed construction should be duly approved

by the Special Engineer, Bombay Municipality, and the Chief Inspector of Factories, Bombay State. Approval of Chief Inspector of Explosives and the Chief Officer, Fire Brigade, Bombay Municipality, is also necessary in the case of construction of godowns for storage of hazardous and inflammable materials.

Requirements of the Factories Act, 1948: If the proposed industrial unit is going to employ 9 or more persons with power or 20 or more persons without power, it comes under the Factories Act. Before setting up a factory it is necessary to obtain approval of the Chief Inspector of Factories of the State.

Electric Power: Applications for grant of electric power are to be addressed to the Secretary to Government, Public Works Department, Bombay. However, Government do not commit themselves for providing electric power from public sources.

Coal: Applications for coal are to be addressed to the Under Secretary to the Government of Bombay, Development Department, Sachivalaya, Bombay.

Water: In case water is required to be utilised from a river or any other public irrigation system, the Collector of the District or the Public Works Department authorities as the case may be should be approached for prior permission.

Indian Boilers Act, 1923: No steam boiler is to be used in a factory without prior registration or certification by the Chief Inspector of Steam Boilers, Bombay State (Office at 27, Military Square Lane, Fort, Bombay 1).

Requirements of the Bombay Smoke Nuisance Act, 1912: The Bombay Smoke Nuisance Act is applicable only to the following areas in the State of Bombay:-

(1) Within limits of Greater Bombay;

(2) the area within the Municipal limits of Ahmedabad city and the area within a radius of five miles from the clock tower of Bhadra Gate in the city of Ahmedabad but excluding the area within the limits of Ahmedabad cantonment.

(3) the area within Municipal limits of Sholapur city.

Erection of lime-kilns is prohibited within the limits of Greater Bombay. Erection or re-erection of, or addition to or alteration in furnaces to be used for calcining or smelting of ores or minerals or for casting etc. is prohibited in certain areas in the Bombay City subject to certain conditions under Government Notification, Development Department, No. 222/48, dated the 14th May, 1954.

In the areas in which the Act is in force no furnace, fuel or chimney shall be erected, altered, added or re-erected except in accordance with the plans and for the purpose approved by the Bombay Smoke Nuisance Commission and shall not be used for any other purpose except with the fresh approval of the Committee.

Steel and Cement Allotment for new Industries: Steel and cement are allotted by the Central Government to parties which intend to start new industrial undertakings or expansion of the existing ones. Cement applications are to be addressed to the Director of Industries, Bombay. Applications for steel are to be addressed to the appropriate sponsoring authorities of the Central Government through the Director of Industries, Bombay.

Requirements of Specific Permissions for Specific Industries:-

(1) For the manufacture of pharmaceuticals a licence from the Drugs Controller, Manekji Wadia Building, Mahatma Gandhi Road, Bombay, is necessary.

(2) For storing and using rectified spirit specially denatured spirit relevant licences from the Excise Department are necessary. Applications are to be made to the Superintendents of Prohibition & Excise of the Districts.

(3) For storing and using explosive materials like potassium chlorate, potassium nitrate, sulphur, etc. a licence would be necessary from the Police Department.

(4) For storage and use of highly inflammable solvents and materials like cellulose, nitrate acetone, benzene, petroleum, ether and other low boiling solvents, permission from the Inspector of Explosives, Industrial Assurance Building, Opposite Churchgate Station, Bombay, is necessary. In the mofussil permission from the relevant local authorities would be essential.

(5) Certain local authorities have prescribed permits for the storage and handling of large quantities of mineral acids.

(6) The manufacturers of food products i.e. bakeries, ice fruits, ice candies, confectionaries, etc. are required to obtain a licence from local authorities.

(7) The manufacture of canned or tinned fruits, fishes or other food products is controlled by the Deputy Development Officer, Fruit Products, Directorate of Marketing and Inspection, Ministry of Food & Agriculture, Government of India, whose office is at 32, Apollo Street, Fort, Bombay.

Requirements for Grant of Mineral Concessions and Mining Leases: Minerals are classified in two categories — Minor and Major. The present grant of licences (quarry licences) contracts or permits etc., regarding minor minerals are regulated by the Bombay Minor Minerals Extraction Rules, 1955.

Prospecting, extraction and mining of major minerals are regulated by Mineral Concession Rules, 1949, framed under Section 5 of the Mines and Minerals (Development and Regulation) Act, 1948.

Before obtaining such concessions, it is necessary to obtain first a certificate of approval from Government for which the application is to be made to the Secretary to Government in Development Department, Bombay. On obtaining the certificate, the applicant has to apply for a prospecting licence to the Collector concerned. After carrying out the prospecting the licensee has to apply through the Collector for a Mining Lease which gives him a right to win the mineral(s) for commercial purposes. Grant of Mineral Concessions in alienated Inami Lands are regulated by owners of Inami Lands, subject to the provisions of Chapter V of the Minerals Concession Rules.

With a view to bringing to the notice of entrepreneurs the possibilities of setting up various industries in the different regions of the State, the Department of Industries, Bombay, has brought out a "Brochure Indicating Possibilities for Establishing Large and Medium Scale Industries by Private Enterprise in the State of Bombay during the Second Five Year Plan Period" indicating the projects which can be readily taken up for establishment. The Brochure refers mainly to the large and medium scale industries, classified as follows: (1) Engineering (2) Chemicals (3) Textile and (4) Others. The points covered in respect of each industry are: (1) Type of Industry (2) Location (broad indications) (3) Economic Unit (4) Capital Structure (5) Employment of Potential (6) Scope and (7) Essential Requirements.

"PROBLEMS OF STARTING AN INDUSTRIAL ENTERPRISE"

by

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Promotion:

After the attainment of political Independence and the launching of a planned programme of socio-economic development, there has been a marked quickening in the tempo of industrial activity in the country. Large new investments have taken place in industry, even as in other segments of the economy. A number of industrial projects and schemes have been executed and many are also under way both in the public and the private sector; many new lines of manufacture have been started for the first time in the country. In short, our industrial map has been undergoing progressive transformation. There is, however, a considerable leeway to be made up in the field of both industry and agriculture and the country will, therefore, have to make an all-out effort on a continuous basis for many years to come in achieving growing levels of investment in the economy and better standards of living for the teeming population.

The tempo and extent of activity in the industrial field would increase with the creation of an appropriate climate. Those wishing to start industrial establishments in the private sector are now obliged to go through a number of formalities and procedural details laid down by Government from time to time. It is indisputable that the achievement of the economic aims set before ourselves and also a co-ordinated and well-regulated development and growth of industries in the country pre-supposes the requisite measure of national discipline and needful regulations. Every prospective entrepreneur, however, is confronted with numerous formalities and procedural matters, multiplicity of authorities who are to be approached and administrative delays in getting things done.

This Seminar has been organised for considering the procedural difficulties and delays in starting new industrial units or in the expansion of existing ones. This paper deals with the question of Promotion. Promotion, it is needless to mention,

constitutes the preliminary ground-work that requires to be done for planning, programming and laying out an industrial scheme. It involves a good amount of procedural formalities and getting the sanction in regard to several matters from Government departments. An attempt is made in the following paragraphs to discuss in brief the difficulties that are encountered in regard to Promotion, under the heads—Registration, Industrial Licensing, Import Licence, Capital Issue, Long-term Finance, Foreign Exchange, Technical Know-how, and Terms of collaboration with foreigners. The paper mainly refers to the large-scale sector of industry.

Registration:

Under Section 10 of the I (D & R.) Act, 1951, all industrial undertakings pertaining to the industries specified in the First Schedule to the Act, should get themselves registered within such period as may be fixed by the Central Government. In terms of Rule 3 of the Registration and Licensing of Industrial Undertakings Rules, the application for the registration of any existing industrial undertaking has to be made in Form A or B appended to the Rules at least three months before the expiry of the period fixed under Sec. 10 of the Act. The Forms prescribed under the Rules are sufficiently exhaustive as regards the information required to be furnished thereon. The main purpose of Registration is the collection of industrial data.

The same particulars regarding production, employment, hours of work etc. are required to be furnished to the Development Wing and also to other Government departments. It is necessary that, in order to minimise the clerical work involved, there should be a standardised form the information furnished wherein will be useful for the requirements of the various Government departments and there will be no need to fill in a large number of forms separately.

Industrial Licensing:

Section 11 of the Industries (Development & Regulation) Act provides that no new industrial undertaking pertaining to the industries specified in the First Schedule to the Act can be established except under and in accordance with a licence, issued by the Central Government. The Section also provides for the applying for and getting licence for the manufacture of any new article by a registered industrial unit and also for getting amended the licence or permission of a licensed industrial undertaking for the manufacture of any new article. Rule 7 of the R & L of Industrial Undertaking Rules lays down that the application for licence should be made before (a) raising from the public any

part of the capital required for the undertaking or expansion, (b) commencing the construction of any part of the factory building, and (c) placing order for any part of the plant and machinery required. The Rule also lays down that application for permission for changing the location of the whole or a part of an industrial undertaking should be made before — (a) the acquisition of land or the construction of the premises, (b) the dismantling of any part of the plant and machinery. The information usually required to be furnished is relating to details of proposed capital structure, foreign collaboration or investment envisaged, requirements of foreign technicians, proposed location, lines of manufacture proposed, number of estimated working days in a year, estimate of raw material, capital equipment, rail transport, area of land, water, power and supply, staff, labour, etc.

Government have recently taken certain steps with a view to quicken the disposal of the applications. The licensing Committee have been required to meet more frequently. Further, the formality of referring applications to this Committee has been dispensed with in the case of certain industrial establishments. Industrial units, new or expansion of existing ones, employing less than 100 persons and having fixed assets of a value below Rs. 10 lakhs can proceed ahead without applying for a licence under the Act; for their plant and machinery requirements they can approach the Development Commissioner, Small-scale Industries, New Delhi and the Director of Industries in the respective State. Lists of industries will also be prepared from time to time for which the licences will be freely approved and extra capacity will be allowed for such industries without reference to the Licensing Committee. Government have also decided to reject applications for fresh capacity in regard to certain industries and the lists of such industries will be subject to frequent changes.

The complaints that are usually made in this behalf are that considerable delay still takes place in the disposal of applications for licences or permission and that the timelimit of 3 months from the date of receipt of applications, within which licence or permission should be granted under the Rules, is not adhered to. The number of applications for licences or permission is rapidly increasing, thereby accentuating the situation. As a result, the applicants are put in needless suspense and anxiety and are not able to pursue their propositions vigorously.

The remedical measures that suggest themselves are—

(i) Adequately strengthening the staff of the Development Wing with persons having not only requisite technical

qualifications but also reasonable knowledge of finance and business methods of industries;

(ii) The Development Wing gathering uptodate information in regard to any changes or modifications in Government's policies or measures, so as to be in a position to guide and advice applicants properly whenever the latter has to furnish additional information or to effect any alterations in the industrial proposition;

(iii) Co-ordination between all the Government departments concerned with the processing and examination of applications for licences.

(iv) Collation and availability of uptodate information in regard to all industries, so that additional capacity in any industry may not be sanctioned in cases where the demand for the product concerned does not justify such addition and applications for additional capacity may not be turned down in cases where such addition is warranted by demand for the product concerned.

(v) In cases where the targets laid down have been reached applications for additional capacity in any industry should be considered, if there is sufficient reason to expect that any capacity already sanctioned will not come-forth.

(vi) Closer liaison of the Development Wing with Commercial Organisations, so as to post the latter with all information and particulars concerning the starting of new industries and expansion of existing units.

Import Licences:

For the establishment of Industrial Units and the expansion or rehabilitation of existing ones, until such time as the industrial base of the economy is fully developed, the country has to depend on the industrially advanced countries for capital goods and equipments. Essential raw materials are also required to be imported for some of the manufacturing industries. Government cannot make allocation of foreign exchanges in all cases out of the foreign exchange resources earmarked for financing importation of plant and machinery required by industries. Previously, the Licensing Committee had been scrutinising applications for industrial plant and machinery and on the basis of their recommendations import licences were being issued for such requirements. However, in view of the delays that were quite often experienced by applicants, Government have since recently dispensed with the formality of preferring the import licence

applications to the Licensing Committee and the applicants are free to apply straightway to the office of the Chief Controller of Imports & Exports, New Delhi, for licences for the import of capital goods. The possibility of issue of licences is limited usually to such cases where the applicant can satisfactorily arrange for raising external Capital or where Government have facilities in the form of credits or payments arrangements with particular countries to finance such imports. Import licences are not issued for machinery manufactured in the country; for secondhand or re-conditioned machinery a certificate from a Chartered Engineer in the country of origin as to the fitness of the machinery for use should be furnished. Import licences are considered for three types of credits, viz. long-term, medium-term and cash-payment.

The complaints emanating in this connection are:

There is no co-ordination between the Development Wing and the Import Control Authorities, as a result whereof sometimes components and spares required for the operation of plant and machinery installed are not allowed to be imported. Imports of raw materials essential for certain industrial units to carry on their manufacturing activities are also not allowed in certain cases.

It is eminently desirable that while considering applications for industrial licences, the requirement of the industrial units concerned for components and spare parts as also for raw materials wherever necessary should be properly assessed and necessary permission should be granted for the import thereof.

Consideration and disposal of applications for import licences should be done more speedily than at present, so that entrepreneurs may not be obliged to slow down their work relating to other matters.

Choice of alternative countries wherefrom imports of capital goods and machinery could be imported, should be more freely allowed, in view of the differences in costs of such items between different exporting countries.

Long-term Finance:

Long-term Finance is an indispensable pre-requisite for any widespread and sustained industrial development. Institutional finance has come to play an increasing part in catering to the needs of industries all over the world as also in India. So far as equity capital is concerned, individual investors are still making an important contribution. A good deal of internal financing is being done by the corporate sector. Among the institutional investors, Banks form a significant constituent but their investments

are largely in Government securities and to some extent in debenture stocks of companies. Even a major portion of the investments of Life Insurance Corporation are in Government securities; so also of the Provident Funds. The financial assistance Government itself is providing to industry through subscription to ordinary and preference Capital as also debentures and through direct loans is only marginal in nature, except in the case of shipping. It is necessary to examine as to how the scope of investments by these agencies can be diversified, so as to assist industries in the private sector in a greater measure than at present.

To assist the growth and development of industries, financial credit corporations have been established in the country in recent years. These Corporations provide medium and long-term finance to new industrial undertaking as also for the expansion, rehabilitation and renovation of existing units in various industries. With the ever-increasing demand for financial resources on account of the growing tempo of industrial activity in the economy, these financial institutions have been rendering a very useful service.

The Industrial Finance Corporation established in 1948 has been giving assistance to industries in the form of advances and long-term loans. By virtue of the amendment made to the Industrial Finance Corporations Act, 1957, the resources position of the I.F.C. have been strengthened and its scope of lending operations widened; as a result of this, a large number of industries, including newly started ones, which are not able to offer adequate security but at the same time deserve encouragement in view of their importance to the national economy are enabled to get financial assistance on the basis of the guarantees given by the Union Government or the State Governments. A recent announcement that the I.F.C. will be enabled to sanction loans exceeding Rs. 1 crore, by an amendment of the Act, in suitable cases is an encouraging trend.

The general feeling is the amount of funds the Industrial Finance Corporation has so far lent is not impressive enough, having regard to the order of investment in the private sector. Its underwriting operations should be expanded significantly. It should also institute arrangements whereby its loans can be converted into equity capital in suitable cases. There should also be no general prohibition in the investment of funds in shares, especially of new companies. In short, its operations should be much more flexible than at present, so as to enable it to play a more effective part in the financing of industrial activity in the economy.

The Industrial Credit & Investment Corporation of India (I.C.I.C.I.) was established in 1955 with the object of assisting industries in the private sector by providing finance in the form

of long-term or medium-term loans or equity participation, sponsoring and underwriting new issues of shares and securities, guaranteeing loans from other private investment sources, making funds available for re-investment by revolving investments as rapidly as prudent, and furnishing managerial, technical and administrative advice. Though primarily the I.C.I.C.I. gives financial assistance for the purchase of capital assets in the form of land, buildings and machinery, in certain cases applications for additional permanent working capital are also entertained. The main considerations that influence the I.C.I.C.I. in granting financial assistance are — the nature and usefulness of the project, the basic soundness of the project, cost of the project, means of financing the project, market for the product, profitability of the venture, management of the concern, etc.

Though there is general satisfaction in regard to the working of the I.C.I.C.I., there is a feeling that there should be co-ordination of its activities with those of the Industrial Finance Corporation, in order to avoid the over-lapping that is inherent in the present position of both the institutions functioning on an all-India level.

The Re-finance Corporation for Industry set up in June, 1958 is providing re-lending facilities against loans given by Banks to industries for the purpose of giving fillip to increased production of industries included in the Plan. The immediate object of the establishment of the Corporation was the channelling of funds from the counterpart funds available from the imports of food-grains from the U.S.A., under P.L. 480. Re-finance is provided for medium term of 3 to 7 years only. It is necessary that the terms of advance should be liberalised so as to make the functions of the Corporation more useful than at present. Allocation of quotas to non-member banks should also be allowed and as many industries as possible should be made eligible for financial assistance.

The National Industrial Development Corporation was set up in 1954, for the promotion and development of Industries and was conceived mainly as an instrument of Government for securing a balanced and integrated development of industries both in the public and the private sectors. The Corporation is required to plan and formulate projects for setting up of new industries or developing new lines of production.

The National Industrial Development Corporation has been choosing projects primarily with a view to developing new lines of production in fields where the country is mainly dependent upon imports. Selected projects have been or are being executed

with that object in view. The Corporation has also been functioning as an agency for grant of loans to any industry which Government may desire to assist. Modernisation and rehabilitation of the jute and cotton textiles industries, and recently units manufacturing machine tools, is also included in its scope of operations.

The State Finance Corporations are extending assistance to medium and small-scale industries. The general feeling is that the Corporations should take all steps to simplify their procedure and relax the rigid conditions particularly in respect of small scale industrial units. Co-ordination among the various institutions to cater to the needs of medium and small-scale industries is necessary and there should also be greater flexibility in their financing operations.

Foreign Exchange

In the context of the country's developmental activities undertaken on a large-scale, exchange control has become an important means for the fulfilment of the programmes and schemes under the Plan. Especially for India, which has still to make a large leeway on the road to industrialisation, heavy reliance on borrowing abroad for financing of the development programme is but natural. Since the year 1957, with the growing need for making imports so as to meet the developmental requirements in the economy, the need for constant watch and a greater degree of control on the draft from our foreign exchange resources has been more pronouncedly felt. It is but reasonable that industrial schemes or projects which involve foreign exchange will have to be considered having regard to the overall foreign exchange resources position of the country and the large number and variety of demands on the same. Government have, therefore, found it necessary to limit usually the grant of import licences to such types of cases where (i) either the applicant can himself make satisfactory arrangements for raising external finance, (ii) or Government have facilities in the shape of credits or payments arrangements with particular countries for financing imports. Investment in equity capital of companies and long term loans are easily acceptable to Government for obvious reasons. Imports against short-term credit are not allowed in view of the heavy repayment liabilities in the coming years.

The difficulties that are usually complained of are:—

The procedure in getting sanction for the foreign exchange component in any scheme is very cumbersome and tardy, and applicants are put to lot of inconveniences by being obliged to contact and correspond with the concerned authorities. The Development Wing does not expedite consideration of the technical

aspects and the Capital Goods or Heavy Electrical Project Committee take inordinately long time in screening applications and putting up their recommendations. It is necessary that the present delays in screening and examination should be reduced to the minimum.

Further, cases involving medium-term credit should be more liberally considered that at present, if there are reasonable chances that the products that have to be manufactured therefrom can find an export market and earn foreign exchange in the not distant future.

Rejection of short-term credits should be done in a less rigid manner, regard being had to the essentiality as also export potentiality of the products to be manufactured.

The Industrial Credit and Investment Corporation, having already exhausted the two lines of credit extended to it by the World Bank of a total amount of 20 million dollars, negotiations are to be started shortly for arranging for another line of credit for 25 million dollars (20 million from the World Bank and 5 million from the Development Loan Fund). The Industrial Credit & Investment Corporation of India is the only credit institution in the country providing foreign exchange loans to industries, such lines of credit should be arranged as and when necessary to assist private industrial undertakings in the country.

Technical Know-how

India's programmes of economic development have attracted the interest and imagination of a number of industrially advanced nations, who have come forward to make their contribution to the success of those programmes by making available economic resources and technical know-how. Under the U.N. Expanded Technical Assistance Programme, the Colombo Plan and bilateral arrangements, technical assistance in the form of foreign experts and training of Indian Nationals abroad has been received by the country. Thus, U.S.A., U.K., Canada, Australia, New Zealand, Japan, France and certain other countries have been rendering technical assistance either in the form of experts for working in advisory capacity in certain projects, institutions and departments or in the form of training facilities for Indians in technical matters.

The suggestions usually made in this regard are:—

Exemptions from tax should be afforded in all possible directions as an incentive to foreign technicians to come to India and assist in the industrial schemes and they should also be afforded all facilities, free of tax, during their stay in the country. It is

necessary that the taxation law of the country should be amended, wherever necessary, so as to provide for such exemptions and facilities.

Collaboration with foreigners

Many foreign concerns have been collaborating with Indian industries for the manufacture of a variety of products. The same is also an indication of the active interest industrialists abroad are taking in the developmental schemes and programmes of India. Foreign collaboration ensures not only the participation of overseas concerns in the capital resources of Indian industrial undertakings but also brings with it technical assistance for the setting up and development of industrial units.

Proposals involving foreign collaboration have to be forwarded for approval to the Ministry of Commerce & Industry as soon as a draft agreement is concluded between the Indian party and the foreign collaborant. The general difficulty in regard to Schemes involving foreign collaboration is: on the one hand, foreign firms do not conclude the terms of collaboration unless they are given suitable assurance beforehand that the same would be acceptable to the Indian Government; on the other, schemes envisaging foreign collaboration are not approved by the Government of India unless they have an opportunity to examine the terms thereof from different aspects. This is a point requiring serious consideration, so as to lay down some procedure, whereby the Government of India will accord general approval to foreign collaboration subject, if necessary, to certain usual conditions being fulfilled.

Royalty payments should be exempt from super-tax.

It is also necessary that a proper investment climate should be generated and nurtured in the country so as to assure the foreign firms of India's vast potential internal market, non-discriminating nature of the Indian tax system, availability of labour etc.

"SOME ASPECTS OF FOREIGN COLLABORATION IN PROMOTION OF INDUSTRIES"

By

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In any underdeveloped country which has embarked upon initiating the process of rapid economic development, the importance of participation of foreign capital in such a task need hardly be stressed. Because of the scarcity of the domestic resources, a given rate of economic growth could be achieved with a smaller proportionate sacrifice on the part of the people in the country and secondly this rate of economic development could also be speeded up if foreign capital is available in adequate measure and supplements the meagre domestic resources.

2. The foreign capital may take either of the three forms:

a. Foreign capital may be secured through borrowings in foreign market either by Government or by private sector.

b. Branches of the foreign companies may be opened in the country and thus foreign capital may come in.

c. Foreign company may enter into collaboration with indigenous firms and thus pave the way for new foreign investment.

3. The distinction between second and third type of foreign investment from the first one is that in the former case the direct control of foreign investor as to the proper utilisation of the resources, its management etc. are implied while in the latter case it is not so.

In this paper it is proposed to discuss some aspects of foreign collaboration in promotion of industries and review briefly the policy of the Government of India as followed in such cases.

4. Apart from the distinction presented above, the foreign collaboration has also certain advantages of its own. In the first instance the foreign collaboration may remove shyness of indigenous capital as it may induce more domestic capital to enter into the industrial field in partnership with foreign capital. This is because such enterprises have been in the hands of well-known firms with proved techniques — which is not always the case when the indigenous entrepreneur tries to raise capital for new concerns. Secondly, foreign collaboration means not only mere transfer of capital but also of key personnel, technical knowledge and proficiency of which there is a dearth in all underdeveloped countries. This means import of technical knowhow in the country along with the capital.

5. Along with these advantages, the safeguards need be carefully followed in giving licences to foreign collaboration. Herein comes the question of foreign collaborated unit vis-a-vis indigenous manufacturer. In granting licences to foreign collaborated units, the domestic producer in that line should always have preference to expand; even if he is unable to expand his activities, he should have sufficient scope to function and he should not be made to suffer because of the competition from large foreign collaborated unit. In all matters relating to licensing, increase in production and other encouragements the domestic producer should always have a preference. This is because:

(a) Firstly, the ultimate process of industrialisation will depend on the strength of indigenous manufacturer. No country can permanently depend on the foreign collaborator in its plan for industrialisation and hence every possible encouragement should be given to indigenous manufacturer.

(b) Secondly, the foreign collaboration raises the question of finance capital versus technocrats. The merchant princes who have enough financial resources but do not have the necessary technical background can enter into foreign collaboration and buy the necessary technique from foreign concerns. Per contra the technocrat has the knowledge of necessary technique but because of paucity of capital is not able to exploit the same. It is obvious that if the indigenous inventiveness and enterprise is to grow every possible encouragement should be given to a technocrat who has already developed processes than to the financier who wants to compete with him through foreign collaboration.

(c) Thirdly, the foreign collaboration means continuous recurring payments outside the country by way of royalty, remittance of profits, wages of foreign personnel etc. This is a permanent strain on the foreign exchange resources of the underdeveloped country while if the local entrepreneur develops his line this permanent drain will be checked to a great extent.

6. The policy followed by the Government of India in regard to foreign collaboration may be summarised as follows:

a. It is prescribed that all technical collaboration agreements involving recurring payments should have a limited period of life which should not as a rule exceed 10 years, though a provision to extend the agreement for a further period with the approval of Government would be acceptable.

b. Government attach great importance to the point that the agreement should not lay down any restriction on exports from India. Even if it is not possible to get freedom to export to all countries, permission for exports to some countries should be necessarily there.

c. While it is understandable that for technical and other considerations an Indian firm with an overseas collaborator would prefer to turn to the latter to obtain specialised items like components of product being manufactured in the country, Government are averse to approving a clause in the agreement which has the effect of restricting the freedom of choice of the Indian firms.

d. As for royalty, when payments are to be related to turnover, it is reasonable to expect that these would vary with the turnover and no payment would be guaranteed regardless of turnover.

The careful perusal of the above policy of the Government would point out that the Government has taken care to limit its foreign exchange liability as far as possible. This is no doubt a laudable objective in view of our limited foreign exchange resources. But this is not enough. It is necessary that in actual licensing for foreign collaboration care should also be taken not to disturb the indigenous enterprises. Unfortunately in certain cases this point has been ignored.

a. In some cases licences are given to foreign collaborated units for establishing in this country industries which have already been developed in the face of very difficult

circumstances and which have not been able to stand on their own feet. Most of such industries are in a continuing process of further development and research and for obvious reasons, will not be able to stand in the face of vast resources — technical and financial — of the foreign concerns.

b. In giving licences to foreign collaborated units the indigenous manufacturers in the same line of production are never consulted nor they are asked to increase their production to meet the country's demand.

c. The domestic producer in some cases is not given even equal treatment — not to speak of preferential one — with the foreign collaborated unit. The larger foreign collaborated unit has wide ranges of products and it many times operates the competitive items at cut-throat prices, but is able to make profits in other ranges of production where there is no competition. Government neither gives protection to indigeneous units by way of differential excises nor in some cases it has allowed the smaller units to produce other ranges of products so that it can also equally compete with the products of foreign collaborated unit.

d. The contention that the foreign collaboration brings technical know-how has been falsified because in some instances the foreign collaboration is licensed even for the manufacture of a product of known reactions.

8. In this context it is also necessary to analyse the genesis of large number of foreign collaborations that are taking place at present in our country. The recent policy of the Government is to ban import of products which are manufactured in the country or to raise import duties on such articles. To avoid the effects of these import controls which ban the finished product but permit imports of necessary raw materials and machinery or to come within the tariff wall, the foreign companies either set up local manufacturing facilities or enter into partnership with Indian enterprise for setting up their concern in India.

9. There is not and should not be any objection to anybody entering into foreign collaboration. As is said earlier in this paper, equity capital from foreign resources used in collaboration with the Indian capital will certainly pave way for the promotion and development of industries. Serious attempts are, therefore, being made to interest foreign capital in the prospects of investment in India and therefore, it is likely that our Government in the near future will take a less stringent attitude towards foreign capital, seeking investments in this country. But in giving licences

for foreign collaborated units, the indigenous entrepreneur should not be ignored. Care should be taken that the foreign collaboration does not kill the indigenous enterprise, give set back to the enthusiasm of inventive genius and that foreign capital, new or existing should not be permitted to adversely affect parallel Indian industries.

In the main,

(a) Foreign collaboration should be allowed in specialised industries requiring high degree of technical know-how and skill and which so far have not been developed in the country;

(b) In all cases where foreign collaboration is permitted, before doing so the indigenous manufacturer should be consulted and be encouraged to expand his production;

(c) If a licence is given to foreign collaborated unit, a fair field should always be preserved for the operation of the indigenous manufacturer in the same line;

(d) Care should be taken that the indigenous unit is not weeded out due to unfair competition from the foreign collaborated firm.

"A SHORT NOTE ON THE FORMATION OF A LIMITED COMPANY"

by

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In view of the advantages of limited liability together with a corporate existence, and the requirements of large capital by modern business, corporate forms of enterprise are becoming very popular everywhere. The present law governing them in our country is the Companies Act, 1956 (No. 1 of 1956).

2. Registered companies for business can be of two types — Public and Private. Any seven or more persons in the case of a public company or two or more persons in the case of a private one, may be the promoters of a company for a lawful purpose by subscribing their names to the Memorandum and Articles of Association of the company. The proposed name should be decided first in consultation with the Registrar of Companies of the State where the company is to be incorporated. Drafting of Memorandum and Articles of Association may require some legal assistance although standard forms are given as annexures to the Act and may be used.

3. The Memorandum should be printed, divided into paragraphs, numbered consecutively and signed by each subscriber and attested by a witness. Each subscriber should also indicate the number of shares to be taken by him and must take at least one share. The Memorandum must State—

(1) the name of the company with "Limited" as the last word (in the case of a public company) or "Private Limited" as the last words (in the case of a private company),

(2) the State in which the registered office of the company is to be situate,

(3) the objects of the company,

(4) whether the liability of the members is limited by shares or guarantee as the case may be,

(5) the amount of the share capital and its division.

4. Articles of Association of a company are like rules for management of the company. They provide for Directors and their appointments, meetings, proxies and things like that. Form and signature in the Articles of Association will be similar to those in the Memorandum. Except in the case of a public company limited by shares, Articles of Association is compulsory in other cases. Regulations in Schedule I, Table 'A' for management of the company may be adopted with suitable modifications as may be required.

5. The Memorandum and Articles of Association should then be stamped with the requisite stamp duty (vide Indian Stamp Act), and then rendered for registration at the office of the Registrar of Companies together with the registration fee. In addition, the following should also be sent to the Registrar:-

(1) Any proposed agreement with the Managing Agents or Secretaries and Treasurers.

(2) A declaration by a competent person that all the requirements of this Act and Rules have been complied with in respect of the registration and matters precedent and incidental thereto.

(3) Consent to act as Directors and agreement to take shares, if necessary, in respect of the proposed Directors.

(4) List of persons who consented to act as Directors.

Note: Items 3 & 4 are not necessary in the case of a private company.

6. The Registrar will then register the company and issue a certificate of incorporation if the papers are found in order. There are certain other forms which are convenient to be filed simultaneously, such as notice of situation of the company and particulars of Directors, although the same may be filed within twenty-eight days after registration of the company. Within twenty-eight days after the incorporation of the company, unless it starts business earlier, the company must have a registered office and name board, etc.

7. A public company thus formed can proceed to invite applications publicly for shares after filing a prospectus with the Registrar. If it is not intended to invite publicly, a statement in lieu of prospectus will have to be filed with the Registrar before any allotment of its shares or debentures is made. In this connection provisions of Capital Issues Control Order should be

borne in mind, under which permission of Government of India is necessary for issue of more than 10 lakh capital in a period of twelve months.

8. A public company cannot also commence business or borrow moneys, unless:-

(1) The minimum subscription mentioned in the prospectus or statement in lieu thereof has been subscribed.

(2) Every Director has paid on his share a portion equal to the proportion payable on application and allotment of the shares for public subscription.

(3) No money is liable to be repaid to applicants for shares or debentures which has been offered for public subscription through failure to obtain permission from the Stock Exchange.

(4) A statutory declaration duly verified by a competent officer of the company that the above conditions have been complied with, has been filed with the Registrar, and a certificate entitling the company to commence business is obtained from him.

9. The appointment of Managing Director or wholetime Director in the case of public companies (or subsidiaries of public companies) and the appointment of Managing Agents, Secretaries and Treasurers etc. for all companies, are subject to the approval of the Central Government, for which applications in prescribed forms should be made to Government in good time.

10. The Company is then is a position to start functioning subject of course to the other provisions of the Companies Act regarding Annual General Meetings, Accounts, Audit, Managerial Remuneration, etc. In a nutshell these provisions are intended to afford adequate publicity to the financial condition of the company, fix responsibility for management, prevent mis-use of the funds of the company, and generally ensure safeguarding of the interests of creditors and subscribers.

"NOTE ON REGULATIONS RELATING TO IMPORT LICENCE, CAPITAL ISSUE & TECHNICAL COLLABORATION"

by

SHRI D. N. MALUSTE

Deputy Controller, Exchange Control Deptt.,
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This note briefly sets out regulations, etc. governing certain items included under Section I — Promotion.

(i) IMPORT LICENCE

If the establishment of a new industrial unit involves the import of plant or machinery from abroad, it is necessary to arrange for an import licence authorising its import. Under current regulations where the capital goods to be imported are for the establishment of an industrial unit which requires a manufacturing licence under the Industries (Development and Regulation) Act, 1951, an application for the manufacturing licence should have been made or should be made simultaneously with the application for an import licence. Details in regard to application for etc. could be had from the local office of the Joint Chief Controller of Imports.

Import liences for Capital Goods required by a new industrial unit or for expansion of an existing unit normally involve substantial values. In general it may be stated that the Government of India are at present prepared to consider applications for such licences only if the applicant is able to arrange the foreign exchange for the purchase of the plant or machinery either by way of foreign capital participation or by foreign currency loans from companies or financial institutions such as the I.C.I.C.I. etc. The policy governing licensing of Capital Goods is announced by the Government of India in the 'Red Book' from time to time.

Import licences are normally issued in duplicate one copy being marked "for Customs purposes" and the other "for Exchange Control purposes". While the former copy is an authority

for the Customs at the port of entry to allow clearance of the goods specified in the licence, the latter is an authority for authorised dealers in foreign exchange (i.e. banks) in India to sell foreign to the importer to enable him to pay for the goods.

An Exchange Control copy of an import licence is invariably required. There is a misconception in the minds of some importers that an Exchange Control copy is not necessary where, for instance, the purchase of goods is to be financed by a loan taken abroad or share capital subscribed by foreign collaborators where such capital is temporarily retained abroad. This is not correct. Although in such cases no remittances in foreign exchange may be involved immediately, the amounts of loan or share capital actually withdrawn for payment have to be endorsed on the Exchange control copy of the import licence

(ii) CAPITAL ISSUE

Capital Issue control is administered by the office of the Controller of Capital Issues in the Ministry of Finance. Where the amount of capital to be issued exceeds Rs. 10 lakhs, prior consent of the Controller of Capital Issues has to be obtained. Issues which are for Rs. 10 lakhs or less do not require his consent.

Foreign investment in the share capital of an enterprise is a normal feature of foreign collaboration. Collaboration by way of subscription to share capital ensures that the collaborators take an abiding interest in the progress of the enterprise and is generally to be preferred to collaboration on the basis of royalty payment etc.

Issue of share capital by companies registered in India to non-residents requires the prior permission of the Reserve Bank of India under the Foreign Exchange Regulation Act, 1947. Applications for issues of shares to non-residents were previously received by the Reserve Bank of India and after intial processing, were forwarded to the Government of India for examination in the concerned Ministries. This procedure entailed some delay. With a view to reducing it, it has now been arranged that entrepreneurs intending to promote companies with foreign capital participation should apply direct to the Industrial Policy Section in the Ministry of Commerce & Industry where the aggregate issue is for Rs. 10 lakhs or less. If the issue is for an amount exceeding Rs. 10 lakhs, the Ministry of Commerce & Industry and the Controller of Capital Issues, Ministry of Finance (Department of Economic Affairs), New Delhi. Formal authorisation under the Foreign Exchange Regulation Act is issued by the Reserve Bank of India after consent has been accorded by the Government.

The consideration for the share issue may be received by the Indian company in three ways; viz., cash, plant and machinery and technical assistance.

Issue for Cash

If payment for shares to be issued to non-residents is to be received in cash, remittance must be received through the medium of a bank authorised to deal in foreign exchange. There are no restrictions on such remittances from non-sterling area countries. In regard to sterling area countries approval of the Reserve Bank is required if the amount is in excess of Rs. 20,000 but this drill is for statistical purposes and the formal authorisation is readily granted where the issue of share capital has already been approved.

Issue for plant and machinery

Where share capital is subscribed in the form of plant and machinery required for the industrial unit, the Exchange Control copy of the import licence obtained by the company for the clearance of the plant would bear a stipulation that it shall not be available for remittance of foreign exchange without the authorisation of the Reserve Bank of India. Since no remittances arise on these licences, the Bank only requires that shares are issued for the value of plant and machinery as and when they are received. The further procedure consists only in submission of a monthly statement furnishing number and value of shares issued and value of goods imported along with documents to evidence receipt of the goods here.

In certain cases, plant and machinery may be purchased from a supplier other than the subscriber to share capital. In such cases, the share capital would have been remitted in cash. The import licence would bear the stipulation stated in the previous paragraph and on application by the licenceholder furnishing evidence that the share capital has been received in India, the utilization of the licence through authorised dealers in foreign exchange will be approved by the Bank. In this case, shares will be issued to the participating firm on receipt of the capital in cash and the import of the machinery and payment therefore will be a separate transaction.

Issue for technical know-how etc.

Share capital may also be issued by way of remuneration for supply of know-how, drawings, lay-outs, etc. With the approval of the Government of India. Shares can be issued freely by the companies concerned on receipt of the know-how and the Bank

requires only a periodical statement of shares issued providing a confirmation to the effect that the relative know-how, etc. has been received by them. As export of securities requires prior permission of the Reserve Bank, the despatch of the share certificates to the non-resident participants requires a licence. A licence is granted readily where collaboration terms have already been approved.

Proportion of foreign share capital

The general policy of the Government of India is to limit foreign capital in an industrial undertaking to less than 50% so that the controlling interest remains in Indian hands. In exceptional cases, however, Government may agree to the foreign party holding a majority share of the capital and thus retaining the controlling interest.

Remittance of dividends/profits

Under current regulations, dividends or profits are allowed to be remitted freely to the country of residence of the non-resident share-holders where the investments were made with Bank's approval. The application must be supported by appropriate documents such as balance sheets, profit and loss account, etc., and an auditor's certificate showing that sufficient funds have been set aside to meet all India tax liability.

Repatriation of share capital

Government's policy relating to repatriation of foreign capital invested in India is contained in the attached Press Note dated the 2nd June 1950 and 3rd March 1953. Foreign capital owned by residents of the sterling area and the Scandinavian countries is freely repatriable. Capital invested after 1st January 1950 by residents of countries other than sterling areas and Scandinavian countries, in schemes approved by Government, profits therefrom ploughed back in approved enterprises and any capital appreciation in the value of the investments are freely repatriable to the country of residence of the investors. This concession pertains to investments in cash. A reference has already been made to other types of investment, namely by way of goods and services. The Government of India desire that this form of foreign capital should remain in the country for about ten years or till such time as the concerned industry goes into production and saves foreign exchange by reducing import bill of the country or, in the alternative, earns it by exporting its products. Where import licences are issued for import of goods to be treated as share capital participation, a stipulation to the effect that the concerned capital investment shall not be repatriated

within a certain period is made by the licensing authorities on the import licences.

Retention of Capital abroad

Very often, Indian companies desire to retain abroad the foreign subscriptions to their share capital to facilitate payments for imports, technical services, etc. The Bank gives permission for such retention in suitable cases provided the company possesses the necessary import licences with Exchange Control copies. The subscriptions are required to be held in bank accounts in the name of the Indian company. Monies over and above the requirements of the company abroad have however to be received here. A Statement of drawings is required to be furnished to the Bank for control purposes periodically.

(iii) TECHNICAL COLLABORATION

Setting up of an industrial unit may require technical collaboration in forms other than share capital repatriation. Such collaboration may be a combination of any of the following: (i) Technical assistance in the form of supply of know-how, designs, layouts, etc. and sale of Trade Marks against payment of lump sum fees (ii) Technical assistance against payment of royalty on sale of the manufactured products (iii) Training of Indian personnel abroad (iv) Employment of foreign technicians by the industry. All the four types of collaboration involve foreign exchange and they require prior approval of the Reserve Bank. Industrial units desiring to embark on schemes requiring foreign technical collaboration are also required to apply direct to the Industrial Policy Section of the Ministry of Commerce & Industry. Remittances falling due under technical collaboration agreements which have secured the approval of the Government are freely allowed to be remitted after deduction of taxes, if any, applicable thereto. The Government of India normally limits liabilities of this type of foreign exchange to a short term of years (say five years) and extension of the collaboration arrangement beyond the stipulated period requires their approval. Where recurring payments by way of royalty are involved, companies apply to the bank periodically for the remittances. An auditor's certificate is required to be produced along with the applications certifying the correctness of the amount sought to be remitted.

PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA
PRESS NOTE

Repatriation of foreign capital invested in India Relaxation of Restrictions

The Government of India had announced on the 2nd June 1950 certain relaxation in the exchange restrictions on the repatriation of capital invested from non-sterling area countries in projects approved by the Government of India after 1-1-1950. The announcement, however, expressly excluded appreciation in the value of the investment from the scope of the repatriation facilities, except to the extent of the profits of the investment ploughed back into the business with the approval of the Government of India. The Government of India have reviewed this policy and in order to stimulate investment of foreign capital from the sale proceeds of the investments by residents of countries other than the countries of the sterling area, Norway, Sweden and Denmark, will from now on be governed by the following principles:-

(i) Capital invested after the 1st January 1950 in projects approved by the Government of India may be repatriated at any time thereafter together with any capital appreciation in the value of the investment.

(ii) These facilities, however, will not apply to purchase of shares on the stock exchange unless it is an integral part of an investment project approved by the Government of India after the 1st January 1950.

Ministry of Finance
March 3, 1953.

THE ROLE OF UNION & STATE GOVERNMENTS IN PROMOTION OF INDUSTRIES — A VIEW — WITH SPECIAL REFERENCE TO MAHARASHTRA

By

Maharashtra Economic Development Council

The role of the Government in promotion of industries is of primary importance and many of the initial difficulties of a potential industrialist are directly concerned with the Government activities. In this paper, I shall try to bring out some of the problems concerned with the activities of the Government.

Limitations: I may at the outset make it clear that whenever a reference is made to the word 'industry' in this paper, it is contextually related to the private sector. As regards the public sector of the industry, this paper assumes that the problems of that sector are entirely of a different nature and cannot be classified with the private sector. Another point of misconception, when discussing the industrial problems, is usually about the validity and wisdom of National planning or otherwise. Here again, this paper recognises the 'locus-standi' of the government and 'ipso-facto , the position of the Planning Commission. I have also isolated the topic of "village industries" from my paper for sake of brevity and coherence.

I have presented my subject to you under four divisions which are as follows:

(i) The problem of Socio-Political tranquillity;

(ii) The problems of Administrative set-up of the government;

(iii) The problems of State Aid; and

(iv) The problems of Taxations.

I have made these four distinct divisions to facilitate the study of individual problems.

THE PROBLEM OF SOCIO-POLITICAL TRANQUILLITY

1. The growth of industries are particularly regulated by the degree of law and order prevailing in the State. The comparative safety of life and property is a counter-balancing factor in the mind of an entrepreneur, whenever he has to choose between the two locations. Often it is witnessed that many enterprises have either been abandoned or shifted because the location was found to have a large crime ratio. The very recent happenings in Assam are a pointer to my problem and it can be very well asserted that unless atmosphere of law and order are assured, no industrialist of any magnitude can venture to open an enterprise. Obviously, you shall notice that the industrially developed States in the Indian Union are also known for their high regard of law and order.

2. The political stability in a state is a factor which merits our attention. No industry, however small or local it may be, can grow and thrive in uncertain political conditions. It is a common knowledge that the polarization of political ideals has caused great harm to the industrial institutions in our country. It is in the recent past, that the plantation industry in South India had to suffer big losses due to political disturbances. Having conceded the democratic nature of the country, I beg to submit that there are certain economic compulsions of an under-developed country which demand a degree of political stability. The state, which wishes to promote industries has to take cognizance of this reality. Political stability is one of the vital problems for starting an industry, especially when it is a large scale unit. A minimum agreement between the political parties on the issue of industrialisation shall be a healthy convention.

3. You shall also notice that excessive loyalty to political doctrines also hampers the promotion of industries. This excessive zeal for doctrines is a retrogressive step, as far as the promotion of industries is concerned. The tendency of the government and the political leaders of the country to talk loosely about nationalization of industry and trade leads to a remarkable fall in the morale and enthusiasm of the potential entrepreneurs. It particularly retards the establishment of an industry in which foreign collaboration is sought. I may also add that this is an intricate problem of National policy and the commiserations of the State can do little in this regard. However, within the framework of its autonomy, the State can reconcile its attitude in regard to doctrines.

THE PROBLEMS OF ADMINISTRATIVE SET-UP OF GOVERNMENT

The organisation of the Indian Government was evolved at a period, when the establishment of law and order was the criterion of good government. After independence in 1947, the concept of government has changed radically. The sphere of action of State has changed from law and order to welfare and prosperity. But the fabric of the government has not been changed to meet the requirements of the period. In the words of Paul H. Appleby, Consultant in Public Administration "It puts too much reliance on a very small number of individuals, whereas, for a much larger achievement, reliance must be on a greatly improved organizational performance of systematic character". It is our purpose to examine the problems of starting an industrial enterprise in the light of the administrative set-up.

4. One of the major problems of starting large scale industrial enterprise is to obtain a multiple of sanctions from the government in keeping with the prevailing rules. The procedures of the department or Ministry require a thorough scrutiny of the proposal. The scrutiny of the proposal proceeds towards the apex after halting at every intermediate stage. The ultimate licence for starting an industry is granted after a considerable lapse of time, while the agony of an entrepreneur surmounts all patience. In this connection Mr. Paul Appleby can be quoted once again when he says that "It will be easier and more acceptable to adopt new procedures for activities which are largely new, then to try to make over the long-established governmental organs and methods". I venture to say that the Development Agencies of the government should be established on procedures that have a maximum potential of acceleration consistant with the maintenance of accepted values. In this connection, a reference to the working of the Atomic Energy Commission shall be useful.

5. Another hurdle for starting an industrial enterprise is the method of disposal of industrial proposals submitted to the government. It is noticed that due to too much "reliance on excessive procedures of cross-references, there has been built an extra-ordinary evasion of individual responsibility and a system whereby every body is responsible for everything before anything is done". This evasion of decision-taking is due to the limitation of powers at the hands of the officials studying the proposal. The tendency, therefore, is to play safe and obtain as much of history as possible so that in case of a reversion, a shelter can be taken behind the cross-references. This tendency of evasion has lead to the observations of a foreign expert, that "there is no

lack of idealism or of great vision in India or in Indian government. But for too-much of dynaminism and imagination characterising the setting of objectives is smothered in procedures dominated by small thinking".

The only way in which this problem can be solved is by more delegation of powers on the officials dealing with the proposal and also granting wide immunity against probable errors of judgement. It is an accepted opinion that delegation not only increases the total responsibility of an institution, but enlarges the responsibility of those who delegate. it.

6. An obstacle in the administrative set-up of the Government of India is the categorisation of industry into two divisions. The first are those which are controlled by the Industrial Development Regulations Act and the others outside it. The statistical data like installed capacity, working shifts, present production, extension capacity etc. are furnished to the Development Wing of the government periodically by the industries regulated under Development Regulations Act. There is no such rule applicable to the exempted category. But it is often noticed that when the question of distribution of foreign exchange arises, the unorganised sector draws a good amount along with those industries whose development is under the careful scrutiny of the government. A point arises, whether any equity is exercised when this is done.

It is a point to consider if an alternative to the present procedure is established. I suggest that the development proposals accepted by the Government and the concurrent need of foreign exchange etc. should be apportioned between the representative bodies of the industrialists either region-wise or guildwise. The allotment of available foreign exchange can be made by the representative body by mutual agreement between its constituents. The Directorate of Industries can guide and inspect this procedure to retain the control of the government. This procedure shall not only obliterate the necessity of government action, but shall also be democratic.

7. A glaring problem that often faces the potential entrepreneur is the centralised functioning of the government departments of the state. This is particularly true in cases of small scale entrepreneur. The centralised activities of the government leaves little scope for intimate contact and mutual consultations with the officials of the department. The increase in paper-work and communications of formal nature are exasperating to a potential entrepreneur. It is, therefore, a matter of consideration, whether the Development departments of the governments need to be decentralised on regional basis. There is another important

thing that should be borne in mind when the principle of decentralisation is accepted. The regional officers, posted at different regions should be of sufficiently high denominations to dispose off the cases of regional entrepreneurs. The purpose of decentralisation is ill-served, if the regional officers are unable to settle majority of cases on-the-spot and have to refer to the Central Office.

8. The Local Body is another organisation whose concurrence for establishing an industry is to be obtained. The procedures of these local bodies often cause an encumbrance for early implementation of a scheme. The problem is more acute in cases of small scale industries. The usual requirements of power, water, sanitation and other preliminary needs are obtained from local bodies and usually there is inordinate delay in getting them.

It is suggested that, as and when, a proposal for an industry is accepted by the government, the question of needed paraphernalia be solved by a bilateral arrangement between government and local bodies.

THE PROBLEM OF STATE AID

The ever increasing role of the State in the economic and industrial development of the country is a truism which needs no elaboration. The large encompass of state controls is found in almost all the facets of industrial promotion. Some of the problems of starting an industrial enterprise are directly related with the activities of the state and in this division of my paper, I wish to enumerate some of them.

9. "The main function of the state is to create conditions which would stimulate private activities. In doing this, it has to act in different spheres, firstly in providing facilities and removing difficulties which are within the sphere of the State Legislature and secondly to take up with the Central Government such policy matters which creates difficulties in the speedy development of industries in the State". The Department of Justice of the United States of America strikes down all unlawful barriers to industry and market and preserves competitive opportunities by enforcing anti-trust laws. The state government should scrutinise all the state enactments on industries and produce an amended and consolidated structure of *industrial and* factory laws.

10. A problem that is seldom solved easily pertains to the question of industrial essentials. Besides location, electric power and water for industrial uses is required by the potential indus-

trialist. There are no facilities offered by the government in this regard. It is even noticed that as and when power is supplied in a out of route location, the industry is charged for the capital cost of necessary equipments. I suggest that as and when the electric power is not readily available from the government, the industrialist should be permitted to install his own power system.

11. The problem which has been too publicly discussed in past is about the spasmodic supply of coal to industries. The shortage of coal is partly due to transport bottlenecks. The state should, with the help of industrialists, establish regional centres of buffer-stock for normally required qualities of coals. As regards the other types of coal, the industrialist should be encouraged to build up their own pool. These regional depots of coal should be so situated that no industrial location need suffer due to transport bottleneck.

12. The Government of the States have started establishing Industrial Estates for growth of industries. It is noticed that these estates have not been provided with social over heads like schools, market, hospitals, etc. which induce an entrepreneur to start an industry. Not only this, but the State should also think in terms of establishing small air-stripes at the industrial estates from future point of view. The industries which shall be shifting to the estates have reasons to expect these fundamental facilities. It is stated that the Government of Japan has not only established these estates, but has equipped working plants for various industries and has handed them over to the people for running them.

13. At last comes the question of compensatory advantages. When an industrialist who wishes to start an industry at a location of his preference, is asked to move to the under-developed parts, he should be permitted certain advantages like land at reasonable cost, reduced tariff rates for power and water etc. At least, these advantages have to be offered at initial stages say ten years.

14. One of the practical difficulties that potential entrepreneurs come across is about the acquisition of land. It is the experience of many industrialists that the procedure of land acquisition takes six months to three years. This is a problem which needs to be tackled by co-ordinating the work of various revenue officials.

THE PROBLEM OF TAXATIONS

15. The States and Union taxes have a direct impact on the establishment of industry. The accelerating rate of taxation reverts the initiative of a potential entrepreneur. I may say that this is

not only a problem in our country, but also in advanced countries like the United States of America. Very recently in 1956, the President of U.S.A. referred the matter of promoting small business to a high power cabinet committee. I am tempted to mention some of the recommendations of that Committee:

"i) that the taxes imposed on business corporation be modified by reducing the tax rate from 30% to 20% on incomes upto $25,000.

ii) the Corporations with, say, ten or fewer stock holders be given the option of being taxed, as if they were partnerships;

iv) that the tax-payer be given the option of paying the estate tax over a period of ten years in cases where the estate consists largely of investments in closely held business concerns".

You may be surprised to note that the American Government is agreed to sustain a loss of revenue due to these tax proposals to the tune of $600 million in the first year and $740 million in the second year and at some what reduced figures in later years. When an industrially developed country like the U.S.A. has to resort to the reduction of taxes for inviting fresh entrepreneurs in the field, there is no reason why we as under-developed country should not offer tax reductions to fresh entrepreneurs.

I suggest that the state governments should concentrate its efforts on formulating a revised tax structure for the entrepreneurs who enter the field of industry. The state government can offer a concession by way of exemption from payment of sales tax for a period of atleast ten years. It should move the local bodies for exemption from payment of local taxes on buildings and octroi duty and other local taxes for a period of ten years. The state government should also move the Union Government for a revised tax structure applicable to the fresh entrepreneurs in industries.

"A NOTE ON PRACTICAL PROBLEMS OF STARTING AN INDUSTRY"

By

Maharashtra Economic Development Council

The Entrepreneur establishing a factory increases employment, makes cheaper and more durable goods and contributes to State's exchequer in various ways. His advent is therefore always welcome to the State and to the community.

He is a hard-headed business man. He makes careful calculations before risking his hard earned money. Therefore when he sets his heart on setting up a particular industry in a particular place, he should usually find no difficulty in starting the factory at the earliest, at the place of his choice.

The fact that we are gathered here to discuss our present problem, is adequate proof that he is, no doubt, encountering obstacles, some of which need not hinder him at all.

In many countries, the Entrepreneur, though he be a foreigner, does not come across as many of the hurdles as he is required to cross in our country.

Since we shall be discussing the question of lowering most of the hurdles, it will be better to deal with the reasons with which they were put up.

The Industries Development and Regulation Act was passed primarily to prevent too many units of the same type of industry being established. The Capital Issues Control Act came into being to avoid the much scarce capital from being wasted in starting industries that were not essential. The Foreign Import & Export Regulations are designed to avoid the balance of payments going very much against us, while our imports exceed our exports.

The Entrepreneur realizes that many of the pre-war freedoms are disappearing and the world is entering the age of controls, restrictions, regulations, permits and licences. He can trim his sails to the winds and can make his progress.

The Promoters' grouse is against the bureaucracy, which he believes to work in water-tight compartments and delights in imagining the most fantastic objections which drive him from pillar to post. He further feels for the rigid divisions which make him run from Ministry to Ministry at the Centre or in the States.

WHY NOT ALL SANCTIONS TOGETHER?

He would prefer that a comprehensive application be taken from him and he be given all sanctions with one letter covering:

i) Permission to start the Industry (I.D.R. Act)

ii) Authority to raise capital subscription to Shares — Capital Issues (Control) Act.

iii) *Foreign Exchange*

a) for machinery

b) for technicians

c) for know-how

d) for raw materials and components.

He argues that it is no use giving authority to start an industry, if the sanction does not cover the permission to get the capital and the required foreign exchange.

If the industry is one whose appearance is to be welcomed the sanction for the capital issue must automatically follow.

With only the permission to start and the sanction to raise the capital he cannot honestly appeal to the public to subscribe to the share capital, because he cannot assure the subscribers whether he has any chance of getting the required foreign exchanges for the machinery, raw materials or the components etc.

FOREIGN EXCHANGE

Securing adequate allotment of foreign exchange is the greatest bug-bear of all industrialists. Foreign Exchange is required both for importing machinery and for importing raw materials and components, also for technical know-how and foreign collaboration.

Machinery: The quality and price of the ultimate product depends upon the machinery used. Therefore certain industries must be allowed to import suitable machinery. One or two imported machines can do the work, otherwise obtained by a slow process through a number of locally manufactured machines. The cost goes up, the quality goes down and we are at a disadvantage

in foreign and internal markets. Therefore if we are aiming at large-scale production let us also aim at first class production. We must allow imports of machines costing more than £2,000 and likely to be used for more than six months in a year. If a company cannot show production on the scale mentioned in the application, adequate action should be taken by Government after two years for the proper use of the machinery. For the next two years there should be no restrictions on importing of costly machinery. Of course there will be formal sanctions to enable the Government to watch the liability for foreign currency and stop further imports, if necessary. Let foreign credits be utilised for importing machinery by industrial concerns, who must be prohibited from selling them for three years after the date of import.

Raw material: Imports of specified raw materials and components must be allowed to actual users, who must keep strict account of the quantity imported and used. This should also be done under formal licences. There was no point in restricting imports of steel and making the factories work with less staff, creating unemployment and misery. Adequate raw material to feed the installed capacity of machines is an economic necessity and cut in it is not desirable. Increase of Rs. 50 crores in the adverse balance of payments in two years can be easily managed, while we are dependent on foreign help. When the main calls on foreign exchange are dealt with, the remaining demands can be easily scrutinized and allowed. When better type of machinery is used and there are no hold-ups, the foreign trade will automatically increase rapidly.

EFFECTS OF THE DEFECTS OF PLANNING

It is no doubt true the difficulties of entrepreneurs, both Indian and foreign, have increased by our changing ideas about the scope for and essentially of certain industries, and consequent frequent changes in the regulations. One year we will not allow more cycle factories to be installed because the estimated demand can be met from the installed (or to be installed) capacity. Next year we are prepared to welcome anybody, who can make cycles. Our Capital Issues Controller would higgle with a medium sized company but would allow a company, with foreign collaboration, a very large issue. The middle class is discouraged. The issues of the few companies with foreign collaboration are over subscribed. Import Controller will allow — say Cadburys — to import any amount of raw material they want but an existing Indian company cannot get a higher quota beyond its previous year's consumption. We plan spending money, but never think of planning in real business-like manner, with business-like capacity to yield

real results. We are indifferent to obstacles that are impeding production and are intensifying the inflation.

DO NOT DESPISE ANY SECTION OF THE COMMUNITY

In Great Britain, they are not afraid of taking the help of businessmen to plan and to run Government-owned undertakings. History teaches that the country is not the property of party or a caucus. Excluding an important section from the Government leads to disastrous results.

The bureaucracy when it rules, multiplies prolifically but refuses to be proficient. The organization is so close knit and so powerful that its failures have to be rewarded with promotions. The unfailing support and the advanced age makes the Government nominees take it easy. With no resources, energy or opportunities to learn new tricks to cope with new responsibilities, the aged and aging Government servants fail to make any impression. No doubt there are capable people in the younger set of officers, but the governments do not know how to train them. The seniority fetish is the boon of the services. If a real improvement is to be expected in general well being, the following steps must be taken immediately:—

i) The Planning Commission should be more broad-based and active co-operation of industrialists be sought.

ii) The cadre of government servants dealing with industrial enterprises should also comprise of personnel recruited from open market with wide experience in trade, commerce and industry.

iii) The younger capable Government servants must be given three years training in trade, finance and industry.

If the Government wants to control economic activity and wants to give economic services, then their officers must get training in industry, finance and trade. A special school should be established for the purpose where officers from the selected "Pool' should be sent.

CONTROLS

The Central Government having imposed controls operating at every stage in the starting and running of industries is naturally finding itself in difficulties, because they cannot visualise the precise repurcussions of their policies.

The industrialist, as usual, accepts the world, as he finds it. He does not want to quarrel with the broader policies, inspite of

the injustice and inconveniences and loss of business he has to put up with. He only chafes at inefficiency and indifference. For instance he must pay certain amount into the treasury almost for everything. The treasury is out of stock of the required forms and refuses to accept the amount tendered. The Controller of Imports or some such officer does not allow the industrialist the quota, because the amount was not paid into the treasury in time. The staff in the Government offices smuggly watch the frantic movements of the businessman, and amongst themselves perfectly justify their masterly inactivity. It never occurs to them that they are clogging the wheels of business activity and are causing costs to rise.

NEW RESPONSIBILITIES REQUIRE NEW TECHNIQUES

The industrialist wants that, now that Government has taken upon it to control him and his activities, the Government servants should appreciate that they have left behind leisurely carefree life, where no tell-tale balance-sheets appeared to measure the miseries of the people entrustd to their care. They must realize that they have gripped a machine and unless they have the alertness, suppleness, ability to improve, substitute and coordinate, the machine will bring about such a crash that the life of the whole of the community will be crippled for generations.

In a business organisation, the incoming mail is placed straight before the executive, who is to give the decision. He immediately notes or dictates the decisions which are sent out within 24 hours.

In a Government office the letters first go to the lowest clerk and leisurely travel up through the Superintendent, Under Secretary, Assistant Secretary, Deputy Secretary, Joint Secretary to the Secretary, who forwards it to the minister with the file. Everybody takes his own time for putting his own notes, mostly against the applicant, to avoid being held responsible in any way. The higher officers waste their time in studying the notes. Few have the leisure or the capacity to rebut the uncalled for destructive comments. A few feel that the trend of the notes is all wrong; they hesitate and keep the files for sometime and then send them back with the remark "Discuss". The person concerned is not in a position to discuss and quietly sends in the file against after a few days, if he is not really called for discussion. If the file remains on anybody's table for a long time, he just writes "...Ministry please see". The blame for the delay can then be passed on to that ministry. Ultimately when the file reaches the Secretary who can take the decision, it is so bulky that he cannot find time to go carefully through it.

The Secretary when he really intends to tackle the file, sends for one of the intermediate subordinates to give him the gist. He learns that the problem has solved itself within the course of time and no decision is necessary. The course of trade has changed in two years and Government's assistance is not required or the entrepreneur has got disgusted and dropped the project.

The bulky file now provides ample proof that it has been carefully processed in four or five Ministries, each of which has tried to throw the burden of putting the favourable comment on another ministry. The Law Ministry has begun with getting piece-meal information, whether the party is properly identified, whether he has satisfied that he is neither a minor nor a person of unsound mind, and has finally sent a long note containing requisitions and a draft, which provide for probable and improbable eventualities about the title to the land but omits to properly protect the interest of the Government on essential points.

In a business organisation, schemes for development or for making sizeable contracts are matters which are decided by calling a conference of the persons conerned and a deision is taken at the earliest.

The decisions in the Government, are not always required to be taken at the Secretarial level but procrastination is prevalent at all level. If a big company wants to expand its activities by starting new units in its own compound and wants an approach road to move in the bulky machinery, it applies to the Executive Engineer. If the company's representative goes to see the Engineer after two weeks, the reply generally is that the papers have not reached him. Next week the company is told that all factors are being studied. Next month the company is either told that certain petty information is not given and therefore the application is returned, or that it raises a very important point and may require reference to higher authorities. All progress of the new projects is stopped and the prospects of finding employment for hundreds of people are deferred. The company suffers loss on the money spent on the new projects and reduces the bonus payable. There is strike, and consequent misery and further loss, which reduce the bonus still further. The vicious circle is created by the wooden leisurely system in Government Departments.

As each file gets bulkier the chances of arriving at a correct decision recede further and fusther. The vicious system of noting by every person handling it must end. The decision must be given promptly by personally calling for all information necessary.

Returns

Returns are collected to provide uptodate authentic information to shape policies. In business organisations the "hot" statistics are used for applying correctives very necessary. Has the Government ever cared to find out "How many returns are being collected by Central and State Governments? What necessity is there to collect them so frequently and to what actual use they are put so often in the year?"

The Company law requires the companies to file big return with a big fee every time one of the director joins or retires from another body corporate. All officers of the company are punishable for the omission, at Rs. 50 per day of default. What use does the Government make of this return and of course of many others? This type of returns sap the energies of the executives in Industries.

Lack of Continuity

Business organisations are keen to maintain continuity because the team knows its contacts, markets and what is more, precedents which helped to tackle similar situations.

In the Government everybody, the minister, secretaries, joint, deputy and assistant secretaries, are all endeavouring to get out to something they consider better or more endowed with prestige.

There have been very few changes in Tata's organization since Independence. But in the commerce industries, finance and food ministers and their secretaries have changed during the last 13 years with rapid frequencies.

The lack of continuity prevails all down the line in the government and therefore the indifference for action. There can be no real solid progress without continuity.

Sense or Sentiment

A business organization is run by the head, which is capable of taking into account the co-operation it can receive from the heart. Running the Government is a huge business but it appears that, for some years, it is run entirely by the heart without heeding the warning of the head. Our Planning from the top and the plethora of labour and moral improving legislations can be quoted to prove this.

There is no public enthusiasm for the plans which some feel are mere spending of moneys. The labour is allowed to claim

payments on many accounts, but is not told what is the value of discipline to the future of the men and the industry.

Has the labour legislation enabled the workers to earn in the aggregate more than what they would have drawn? Has anybody counted the man hours lost and the loss of production and miseries suffered by the dependents of the workers, going on strike on the instructions of the so called leaders.

Give the labour a fair deal but teach them to give a fair return for the money. Prosperity generates liberality. Industries which are squeezed will be parsimonious. Labour is entitled to share in the profits. Let it take up itself the responsibilities of contributing to the success as a junior partner who does not bring in capital.

Let the labour and the industries sit with an independent third person of Industrial Disputes Tribunal. Do not leave the field to unprejudiced men who have never laboured or run an industry. Then alone will government get a clear picture of the disputes.

Taxation

Self-help is the best help. Some of the old British Companies have become the respected models of what an industrial concern should be. They—

(i) ploughed back profits, increased the Reserve and attained impregnable position.

(ii) kept up Research and produced cheaper and better goods.

(iii) increased their country's exports.

(iv) rewarded the shareholders handsomely.

(v) established schemes to benefit the workers.

(vi) increased the employment many-fold.

(vii) contributed huge sum in rates, taxes, freights and benefits.

Most countries regard the industrialist as a public benefactor, though in the course of his duties he does well for himself. Here we, in India, are coming to look upon him as an obnoxious devil, which must be destroyed at the earliest. While India tolerates the private sector, let her follow the Socialist Britain and allow the industrialist to run his industries in an efficient manner without putting unnecessary hindrance in the way of normal healthy development. The industry has to face many perils and can withstand most with the help of her Reserves. The strength of the

industries should not be sapped by taxations like wealth tax, heavy income tax etc.

Many governmental authorities are separately authorised to tax industries and these taxes do not benefit the industries and industrial development in the country. It is a point to consider what was the impact on industry from:-

(i) Employees State Insurance Scheme;
(ii) Sugar-cane cess;
(iii) Surcharge on electricity consumed
(iv) Taxes levied by Grampanchayats.

The State Governments

The State Governments are mainly concerned with four requirements of industries:

(a) Land
(b) Water
(c) Power
(d) Communications
Special concessions like rates in bamboo, mining, alcohol etc.

Land is available in four ways:

(i) Purchased from individual owners
(ii) Acquired for company by Government
(iii) Purchased out of Industrial Estates
(iv) Lease hold or long lease.

The purchaser chooses a particular tract of land for the location of his factory after weighing many factors, for and against. A big company trying to acquire a suitable site comes across several snags. The State Government should without delay advise them how they can overcome the difficulties. Following are of the practical problems:

(i) The area is not declared an Industrial Area;
(ii) Being on the National High Way, it cannot build a structure within 220 ft. from the centre of the highway;
(iii) He cannot dam or divert a small useless stream;
(iv) There is delay in completing the purchase transactions with the several separate sellers of land;
(v) The permission for an approach road is delayed.

Water: The Government while providing water often fails to lay down mains big enough to carry the large flow supply required by industries. The Government should, as soon as a water supply scheme is proposed, inform the principal Chambers of Commerce of the diameter of the mains to be laid and the quantity of water to be supplied. The Chambers should circulate the information to their members. Any representation received should be studied by Government.

Representation from Company with a capital of Rs. 50,00,000 and over (they provide larger employment) in respect of their requirements of water, should (if Government is not able to grant) be promptly discussed at a conference where all ministers concerned should be represented to avoid cross references and correspondence.

Electricity

The problems regarding supply of electrical energy fall into three categories:

(i) the supply itself

(ii) the technicalities regarding supply

(iii) the price.

It is evident that the State Government will not be able to supply electric power to all the areas in the next few years. The Government should therefore make sufficient electricity available first to all potential areas like:-

(i) Bombay-Poona Road.

(ii) Bombay-Nasik Road.

(iii) Greater Bombay.

If a factory happens to be situated within the jurisdiction of a local Electric Supply Company and the company cannot extend its lines for years to the place where the factory is situated, the Government should not allow the supply company to refuse supply and to object to Government supplying the company from its own mains. The company can supply the current when it is in a position to extend the wires. The Government should not merely ask the industry to get the company's permission. The Government must actually intervene.

Transport

If any factory depended on only one form of transport, it may be ruined if the railways stop booking for a long time for any reason. Every factory must have an alternate way of transport, preferably road transport.

The State Government, anxious to develop industries, must develop road transport by providing wide roads, capable of taking heavy loads. If all the industries in greater Bombay upto Thana prosper the Bombay Government will have also to think of providing jetties at suitable centres like Thana, so that water transport may also be developed. In England they built the Manchester ship canal. God has given Bombay the Thana Creek, where lighters pulled by Tugs can be used, to avoid the bottle-neck into Bombay by road.

General

The Union Government or State Governments if they really want industrial development, must make it possible for the entrepreneur to put his scheme into concrete shape, with the least delay. Not only the formalities should be simplified but assistance should be given to the entrepreneur to overcome unnecessary obstacles in the matter of foreign exchange, land, water, power, transport, leases for mining or products from State forests like bamboo etc.

The Government must have liaison officers who will tackle all officers concerned and get quick decisions from them. Special efforts must be made to help big companies putting up large plants.

The problems of small scale industries are different and mainly centre round finance and raw materials. They should be looked after by the State Finance Corporation, who should be encouraged to make representation after studying the facts supplied by the small scale entrepreneur. All agencies working in the State for the benefit of small scale industries should work in co-operation with a special officer with experience of Industries and Industrial Finance to be appointed by the Government.

All officers of standing in the Central and State Government must be made to understand the working of the industries, the benefits they bring to the people and the country and should be taught to appreciate that failure to help the industries in time causes national loss or a new industry chooses to go to another State, where the officers are more prompt and more efficient and more obliging.

There are many people going about with one to five lakhs of rupees, seeking people who could guide them in choosing an industry, and would help them in running it in the earlier stages. These people can be settled round big factories, if the factories possess engineers who could guide them in supplying the simpler requirements of the big factories. It should be the duty of the special officer for industries to help these potential entrepreneurs.

These entrepreneurs (or some of them) will grow into independent manufacturers.

The entrepreneurs, both Indian and foreign, find it difficult to know:

(i) What exactly are the laws governing
  (a) starting of an industry
  (b) running of an industry
  (c) buying or acquiring land

(ii) Who can sanction foreign exchange for machinery, raw materials, technicians, know-how etc.

(iii) Who will give information about availability of —
  (a) Power
  (b) Water
  (c) Transport

(iv) Who will advise on acquisition of land by the State.

(v) Where can one get copies of the various Acts.

(vi) Whom should one approach for the different forms required to be submitted under the various laws and regulations.

(vii) Whom should one approach in New Delhi and States when difficulties are experienced in various matters.

The State Government must possess all information about the above. The Government must also keep it upto date.

If the State Government could prepare a booklet giving all the information and along with the book supply copies of the various Acts, forms, etc. it would be a great help. A packet containing the booklet, Acts and the forms could be sold at price of Rs. 250/- or even higher.

The State Government will have to maintain an officer in Delhi, who will have to gather and pass on all information regarding industries.

"GOVERNMENTAL CONTROL, REGULATION AND PROCEDURE AS INHIBITORY FACTORS OF INDUSTRIAL DEVELOPMENT"

by

SHRI J. V. PATEL,

Chairman,

Engineering Association of India, Bombay Region.

The fundamental object of our National Plans is to raise the living standards of our people through a rapid development of both industry and agriculture. In view of the pressure on land in our country there has been a general recognition of the need to secure a very rapid development of industry to draw idle man-power from our rural areas to industry. In view of this, industrial development of our country at a very rapid pace has assumed very great urgency, and I am one of those who sincerely believe that the emphasis laid in the Second Plan on industrial development is by no means misplaced. The requirements of national defence has underlined this urgency.

A pre-condition for the growth of industry is the creation of an appropriate climate in which industry can thrive. Promotional measures which do not take into account this all important factor will be a mere flash in the pan and will not endure. In our mixed economy which visualises the development of industry both in the public and private sectors, what the latter, in particular, needs is to appropriate climate in which industry can grow and thrive. Since private industry still accounts for the bulk of industrial production in our country, despite the phenomenal growth of the public sector in recent years, it is just as well that we took a good look at the conditions in which private industries thrive and the climate that our National Government has created for the growth of industry in this very important, and, I may say, dynamic sector. Frankly, the climate that exists today is not at all calculated to draw from this dynamic sector its best contribution to national wealth and prosperity which all of us desire. The all-pervading and paralysing control exercised by the slow-moving bureaucratic machinery over the promotion, establishment and operation of private industry has, in no small measure, contributed to cramp the spirit of private entrepreneurs, and, I dare

say, that but for this all-pervading and paralysing control and regulation of private industry its contribution to national wealth and prosperity would have been many times more than what it is today. I do not suggest that all controls should be dismantled. But surely their multiplicity and severity can be reduced and the Acts themselves administered more efficiently to ensure that our fundamental objective of speedy industrialisation is not defeated.

3. All of you assembled here must be familiar with the regulation and control over private industry in operation today; for example, control over location, control over items to be manufactured, control over capital issues, control over raw-materials both indigenous and imported, control over the import of machinery and equipment. It is control all round and at every stage and private industry is urged to show its dynamism and produce more in this straitjacket of control which it simply cannot do. It is, I think, a case of more and more control and regulation and less and less development.

4. To start an industry, the first and foremost thing to do is to obtain a licence under the Industries (Development and Regulation) Act. Often enough, this preliminary step of obtaining a licence under the Industries Act takes more than a year, particularly if there is foreign collaboration. During this period, the entrepreneur has to make a number of trips to Delhi and have personal discussions with numerous departmental heads. The procedure of routing the applications through various departments is cumbersome and time consuming and subject to frustrating delays. It is the same thing with applications for import of capital goods and machinery. Much the same thing happens in the issue of capital under the Capital Issues Control. There is an enormous amount of red tape and delays at every successive stage. If I may cite an example, a firm submitted an application for importing machine tools which was to be paid for by the foreign collaborator towards his portion of the share of capital of the Company. It was duly approved by the Reserve Bank of India. The necessary recommendation from the State Director of Industries was obtained. The application then went to the Machine Tool Directorate of the Development Wing which was thereafter routed to the Small-Scale Industries' Organisation which apparently was not concerned. In this process the application was subjected to a good deal of unnecessary delay. Even now although well over two months have elapsed, despite repeated efforts, the firm has not received the import licence for the import of machinery although no foreign exchange was involved. I know of another case lately under the Capital Issues Control for the issue of additional capital. The application was circulated among various Directorates of the Development Wing which took

nearly six months. This is typical of the problems facing industries, in establishment and maintenance of operations at every stage of which chits and permits have to be obtained from numerous Departments of Government. Besides industrial management is saddled with an enormous amount of unproductive work in filing an endless number of returns to Government.

5. Apart from the controlling and regulating hand of various departments of Government, both State and Central, local bodies like the Bombay Municipal Corporation have a good deal to say in the location of industries and permits have to be obtained from the Bombay Municipality also in locating an industry, getting power, etc. Lately it has become very difficult to obtain a "No Objection" Certificate from the Bombay Municipal Corporation for location of industries in Greater Bombay. The Bombay Municipal Corporation has drawn up a map of Greater Bombay demarcating the various areas namely residential, commercial, industrial etc. This scheme of zoning is broadly based on the Master Plan prepared in 1948. This Zoning Scheme which has been under consideration of the Bombay Municipal Corporation for the past several years has not yet been finalised with the result that there is a good deal of confusion as to what industry can be located where. The elaborate procedure prescribed for the issue of "No Objection" certificate would see to it that the applicant is kept on his toes for several months.

"LOCATIONAL ASPECTS OF INDUSTRIES"

by

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The passage of Industries (Development and Regulation) Act, 1951, may be regarded as an important land-mark for planned industrial development in the country. The primary object of this enactment is to ensure proper growth of industries consistent with the resources; priorities of needs and facilities are also of importance. From the progress witnessed during the decade, the primary objectives of this enactment appear to have been appreciated, thus ensuring a sound basis for self-generating process for further industrialisation. However, in our anxiety to achieve higher degree of industrialisation in a comparatively short span of time, the aspect of rational dispersal of industries had been somewhat left in the background. As a result, we see some concentration of industries in few areas. the problem of resultant congestion and social ills is to be tackled by the civic administration; it will be difficult to consider the various aspects thereof in this paper. Looking at it purely from the point of view of imbalance in industrial growth, however, this problem assumes considerable importance to warrant attention of those in charge of planning.

Several economic considerations weigh in the selection of proper location for new industries; essentially resource based industries, requiring large bulk of raw materials for processing, must necessarily be established near the sources of raw materials and to that extent their dispersal can be taken to be more or less ensured. Thus in the case of iron and steel plants, sugar and cement factories, large paper mills, ore beneficiation plants etc., man-made facilities of transport, power etc. are to be taken to sources of raw materials. Other types of industries where the cost of transport of raw materials is not a major consideration in relation to the ultimate cost structure of finished products, the tendency is to locate such industries where facilities of developed land, transport, power, water, drainage, trained labour, technical assistance, etc. are already available. This inertia in the matter

of location of industries which are capable of dispersal in a convenient way has been the cause of lop-sided growth of industries all over the country.

The problems of imbalanced growth of industries in London were similar and they were tackled after the World War by providing developed areas in the country and by financially assisting the industries to get established in the newly developed areas. It can be easily suggested that suitable areas need to be developed where necessary facilities of communication, power, water, drainage and other civic amenities can be provided. Other services like banking, insurance, technical services, repair workshops, stockists and suppliers, consultants etc., follow the industries. But the basic facilities must be created before the industries can be induced to go to these areas. Creation of basic facilities required for the establishment of the Hindustan Antibiotics factory at Pimpri near Poona attracted only few industries in the beginning but the nucleus thus created stimulated the growth of other industries and the process continued very much like an organic cell. A stage has now come when it is necessary to regulate the growth of industries in this area; the meagre facilities also have to be enlarged. Already water supply, roads, railway siding, areas for townships and other facilities are being considered. By planning these facilities well in advance, industrial development process can be speeded as it is then easy and convenient for the entrepreneurs to be attracted to such areas. During the process of organisation of industry delays take place in the matter of acquisition of land, obtaining services like power, water etc. If these ready-made facilities are available to the industry, considerable time in the initial process of organisation will be cut short.

Small industrial houses with their offices in developed cities like Calcutta and Bombay prefer to locate new industries there only for administative convenience. Most of them, however, could be suitably dispersed to places offering economic advantages. Although no legislation or executive action could prevent an industrialist from deciding as to where he should locate a particular industry, it would be in the large interests of the State and the country as a whole, if industries which can be widely dispersed are offered proper facilities in the comparatively under-developed areas.

The entrepreneurs are pressing for concession and incentives for new industries and substantial expansion, at least for the first few years and in some respects Government has found it helpful to meet the demands to some extent. Some attractive incentives may prove helpful for getting under-developed areas industrialised. However, a planned programme appears necessary. Small industries are liberally assisted, by setting up industrial estates with

common facility centres and various other services. Some large industrial units wanting a regulated supply of ancillary materials, fittings and parts can advantageously have small scale units as their close neighbours. There would be mutual benefits obtainable in abundant measure.

Apart from development of industrial areas and satellite townships, there are problems of isolated industries which have to be located at the sources of raw materials and are not likely to attract any ancillary industry. It may not be possible for the industrial undertakings to provide all facilities on their own account and Government may have to assist such enterprises. In some cases it may be necessary to construct a road from the nearest railway station or the sources of raw materials to the site of the factory, or provide a pipe line from the mains or construct a weir or lay transmission lines up to the factory. Some such typical cases have been mentioned in the Master Plan for industrialisation of the erstwhile Bombay State. However, as new resources come to light and new locations are examined, there may be number of such cases requiring a prop in this direction and assistance would be helpful to open up new areas and resources for exploitation. This would be a long term investment for sound economic reasons.

Thus development of industrial areas and satellite townships, establishment of industrial estates and creation of additional facilities for isolated industries should be regarded as an integrated programme of ensuring fair distribution of industries in any State. If the agencies of implementing these projects are different, the programme may suffer from lack of essential co-ordination both in the approach and execution. It may be desirable to consider entrusting this task to an autonomous corporation with adequate financial resources, depending upon the needs of each State so that a co-ordinated programme could be taken up. Financial agencies like the Financial Corporations or the Life Insurance Corporation of India could advance loans to this organisation on Government guarantee. Such an autonomous organisation will be more readily able to provide positive attraction to ensure distribution of industries in suitable places. This organisation, in addition to developing areas, may undertake providing building agencies or in special cases, creation of material depots for the benefit of large scale industries which face difficulties in their construction programmes.

Speaking of Maharashtra State, the fact that Greater Bombay alone would account for about 60% of total industrial labour employed in the organised factories in the State, indicates the concentrated industrial growth. Former Government of Bombay

had appointed a Study Group for Greater Bombay in March 1958 to consider problems relating to, among other things, over concentration of industry in the metropolitan and suburban areas. The industrial Location Panel of the Study Group made very pertinent observations and recommendations, which, although relating to the problems of Greater Bombay, may substantially hold good for any other industrial city like Calcutta, Delhi, Ahmedabad, Kanpur, etc. Subsequent to the recommendations of the Study Group, State Government asked a small group of experts to select definite areas for such development and to work out a scheme. State Government are already considering the report of the Group. The scope of these recommendations, however, would be limited to the development of areas near Bombay to help promoting new industries and reducing congestion of industries in Bombay to some extent. This would obviously tend to expand the industrial potentials near about Bombay.

The power position in the State is now gradually easing and in the coming few years, particularly in the western part of the State to be served by the Koyna and atomic power systems, it may be expected that enough power would be available even for the special large power based industries. In some districts of Marathwada, availability of power will not be comparable to either the eastern or the western parts of Maharashtra for some time yet. It may be necessary here to set up diesel operated small power stations, initially, particularly for the needs of small scale industries, which would create centres of industries. In such places demand would grow so that power from larger power stations would be readily absorbed in due time. State Government have schemes to assist small industries by giving them subsidy on power supply for getting over economic disadvantages.

It will be appreciated from what has been stated that for rapid and rational industrialisation not only planning of facilities but speedy implementation of the same is essential. The Third Plan is to be regarded as an industries development plan for the country, and the States which are concerned with creation of facilities would be required to give high priorities for offering the services so essential for industrialisation. A problem of considerable importance which faces the States viz. development of under-developed areas can also be tackled by positive action thus indicated.

"PROCEDURE FOR SUBMISSION OF DRAWINGS OF FACTORY BUILDINGS UNDER FACTORIES ACT"

By

SHRI N. L. GADKARI,

Chief Inspector of Factories, Maharashtra State

Before an Industrial undertaking is started it should be of interest to the promotor of such an enterprise as to how and what they are required to do as far as the factory Inspectorate of State Government is concerned.

Firstly, therefore, it should be noted as to the type of enterprise which is likely to be covered under the Factories Act. In this connection the provisions of Factories Act under Section 2 (m) (reproduced in Appendix A) may be noted. Without going into the details of interpretation of this section, in short, it may be mentioned that an undertaking manufacturing any article and using power driven machinery will be covered under the Factories Act if 10 or more workers are employed even on a single day in a year. Also manufacturing concerns not using power driven machinery will be covered under the Factories Act, with 20 or more workers.

Before a building is taken into use as factory it is necessary to obtain the approval of the Chief Inspector of Factories of the State for the site of the factory, as well as for the building to be so used. On submission of the necessary drawings which include a site plan, plans elevations and sections of the buildings and layout of machinery, the Chief Inspector of Factories would approve the proposal or may reject the same. The legal limit by which such approval or rejection is to be conveyed is three months, however, all possible measures are taken to expedite such approval etc. Incomplete or inadequate proposals would naturally entail delays.

When the industrialist estimates his requirement at the time of starting an industrial enterprise or soon thereafter and finds that he is likely to employ 10 or 20 workers, it is desirable that he approaches the Factory Inspectorate nearest to him. (It may be mentioned that there are, apart from the office at Bombay, 12 other offices in the State of Maharashtra).

Usually the location of a factory is not objected to by the department except at the instance of other authorities particularly the Municipal Health Authority or the Director of Public Health. The latter usually will be concerned at this stage i.e. before the factory is started as to whether the factory is likely to emit any trade waste particularly effluents. Director of Public Health should invariably be contacted to obtain his permission for the location of a factory from which a tradewaste and effluents will be let out. The former authority viz., the Municipal health authority and other Municipal departments would be concerned in view of the nuisance value of Industrial Establishment to the neighbourhood. They are in general guided by the popularly known zoning schemes.

The factory department will normally not grant a permission to state a factory which is likely to emit an effluent except on a condition that the two Health Authorities would not object to the location of a factory. The Department would have insisted that before a permission for the site of a factory is given by Factory Inspectorate, a no objection certificate be obtained from the above mentioned health authorities. However in general the Inspectorate have approved a site of factories merely on a condition that site is also approved by Health Authorities. Application to the Factory Inspectorate for the approval of a site of new factory is to be made in Form 1. (See annexture)

When the matters progress a little further and the site is approved by various authorities the Industrialist is required to submit to the Factory Inspectorate complete details of the factory building, the processes to be carried out the flow chart of processes including the list of Chemicals etc., to be used in various processes the layout of machinery and building including welfare blocks.

To facilitate the submission of such details a questionnaire is issued to a new Industrialist (copies of the questionnaire are supplied free on request). At this stage it is advisable that the various drawings of factory building and the tentative lay out of machinery are shown to the Inspectorate for advice. An informal discussion even with pencil sketches etc., would be helpful both to the Industrialist as well as the Inspectorate. At this discussion it is possible to suggest to the management as to any objectionable features of their proposal. A well qualified Architect who had already prepared drawings for various clients for the approval of the Inspectorate, usually would be able to ensure that the proposals are such as can be approved by the department.

The main features which may be stressed here in this connection are that the buildings should be made of heat resisting material. They should be well ventilated and well lighted.

Building with corrugated iron sheets walls and roofing material would not be permitted. Similarly asbestos cement sheet would not be permitted for side cladding except for storage purpose buildings. Even asbestos cement sheet would not be permitted as roofing material except when a suitable ceiling with air gap is provided below the asbestos cement sheets. This condition regarding ceiling may be waived in properly ventilated building if the roof is at a fairly high level. However if the ventilation of workrooms is to be insured by machanical means i.e. if natural ventilation is not possible (as a result of the situation of the building or due to the process requirement) it would be in the interest of the Industrialist to provide a ceiling even to such high roof merely to reduce the heat load due to the radiation of heat from the roof. The higher the heat load the larger the capacity of the ventilating plant involving higher capital and running costs.

If the management wish to depend on natural ventilation by doors and windows the department insists that the window should be at such a level as to allow movement of air at the working level. Windows placed with bottom sills higher than 3′ 6″ are not considered satisfactory, windows should be such that along with open doors they should provide cross ventilation. In this country as the windows are supposed to provide light as well as ventilation, unlike in cold countries, the total window areas should be openable to the full advantage of the natural resources. In this connection one would suggest that the factory buildings in India should have walls only upto 3′ 6″ level and then again from a height of 10′ or 12′ from the floor level. This between the levels of 3′ 6″ and 10′ there would be a continuous opening on all sides of the wall. Arrangements can be made to obtain protection from rain by providing longer over hangs of roof or by providing wider weather shades than that provided usually.

Spacing of machines for easy flow of goods in process and for the comfort of workers removal of dust & fumes, general and supplementary ventilation where natural ventilation is deficient and similar other problems if discussed with the Inspectorate prior to actual submission of plans will help matter considerably.

APPENDIX "A"

"*Sec.* 2(m) "factory" means any premises including the precincts thereof—

(i) whereon ten or more workers are working or, were working on any day of the preceding twelve months, and in any part of which a manufacturing process is being carried on with the aid of powers, or is ordinarily so carried on, or

(ii) whereon twenty or more workers are working, or were working on any day of the preceding twelve months, and in any part of which a manufacturing process is being carried on without the aid of power, or is ordinarily so carried on, but does not include a mine subject to the operation of the Mines Act, 1952 (XXXV of 1952), or a railway running shed,"

ANNEXTURE

FORM NO. 1 (& QUESTIONNAIRE).

(Prescribed under Rule 3).

Application for permission to construct, extent or take into use any building as a Factory.

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1. Applicant's name

   Applicant's Calling.

   Applicant's Address.

2. Full Name and Postal address of Factory.

3. Situation of the Factory

   Province.

   District.

   Town or Village.

   Nearest Police Station.

   Nearest Railway Station or Steamber Ghat.

4. Particulars of plant to be installed.

Date :— ....

Signature of Applicant.

QUESTIONNAIRE

General Note:

Application for New factories shall be accompanied with the following Documents:—

---

1. Form No. 1.
2. A flow chart of the manufacturing process to be carried out in proposed factory supplemented by a brief description of the process in its various stages.
3. A list of raw materials proposed to be used along with the list of finished products.
4. Plans, in duplicate, drawn to scale, showing.
   (a) The site of the factory and immediate surroundings including adjacent buildings and other structures, roads, drains, etc.
   (b) The plans elevation and necessary cross-sections of the various buildings, indicating all relevant details relating to natural lighting, ventilation and means of escape in case of fire or an emergencies.
   (c) The plans showing clearly the positions of various plants, aisles, machineries, etc., indicating the distances between adjacent machines and between wall or piller etc., the passage ways, passing through the working room shall also be shown clearly on plans.
   (d) All the depatments and sections should clearly be marked on plans and the number of workers likely to work in such departments and/or sections should also be noted on the plans.

Note : For additions and alterations to the existing factories the proposed addition or alteration should be shown in some distinctive colour.

Such other particulars as the Chief Inspector may require.

Any further information and guidance will be made available during normal working hours at this office.

"Careful attention to questionnaire will assist in drawing up plans in accordance with the law and thus prevent delay in dealing with the plans".

GENERAL

1. (i) Have the site and plans of your factory building/extension been approved by the Municipality or the local Health Authorities, if so, please send a copy of the approval letter.

(ii) Are the necessary drawings as mentioned in the general note submitted in duplicate with the principal dimensions shown in the drawings. (Drawings should be self-explanatory).

(iii) Is Form No. 1 submitted filled in for all workrooms, go-downs, etc. which are proposed to be constructed or extended.

(iv) (a) Is the proposed work a new construction or extension to the existing factory.

(b) Is the work commenced.

(v) What will be the total number of workers employed per day (counting all shifts).

(a) Males.

(b) Females.

(vi) What will be the maximum number of workers working in the factory at any one time.

(a) Males.

(b) Females.

(vii) Is breathing space of 500 cu. ft. per worker allowed in each work-room as required by section 16 of the Factories Act 1948, (For this purpose any height above 14 ft. is not to be taken into account).

2. ROOM:—

(i) Type of roof.

(ii) Material to be used for roof-covering. (It should be noted that the minimum height from floor to the roof should not be less than 12 ft).

NOTE:—

Galvanised iron sheet roof or asbestos cement sheet is not acceptable unless it is covered with tiles or a false ceiling of heat resisting material with 4″ to 6″ air gap is provided.

3. WALLS:—

(i) What will be the material used for the construction of the walls.

(ii) What will be the minimum height of any workroom from the floor level to the lowest part of the roof.

(iii) Will the walls be plastered smooth on the inside.

4. FLOOR:—

What is the material of the floor.

5. WINDOWS AND SKYLIGHTS:—

(i) Are the sizes of all windows and skylights correctly marked on the drawings.

(ii) (a) Is the window area provided at least 10% of the floor area?

(b) Is the ventilating area at working level at least 5% of the floor area?

(c) Please state figures.

(iii) Please state:—

(i) Total window area.

(ii) Area of doors which are kept open for ventilation.

(iii) Ventilating area of working level.

(iv) Total Skylight area.

(v) Total area of the floor.

6. DOORS:—

(i) Is the minimum size of every door 6′-6″ X 3′-0″.

(ii) Are all the doors, except those of the sliding type, opening outwards or in the direction of the nearest exit.

7. EMERGENCY EXITS:—

(i) Are you complying with the provisions of Sec. 38 of Factories Act, 1948, and Rules 66 and/or 67 of Bombay Factories Rules, 1950, regarding precautions in case of fire.

(ii) Is any part of the factory building above or below the level of the ground floor. Is it provided with 2 separate and substantial stairways which afford direct access to the ground floor (vide-rules 66(d) of the Bombay Factories Rules, 1950).

(iii) Is every room in the proposed work being provided with adequate number of exits so located that every person will have a free and unobstructed passage from his workplace to an exit.

(iv) Is the minimum width of emergency stairway 36″.

(v) Is the material used in the construction of emergency stairway non-combustible.

8. DRAINAGE WATER:—

(i) Are you complying with the provisions of Sec. 18 of the Factories Act, 1948 and Rules 35 to 40 of Bombay Factories Rules 1950.

(ii) Are the positions of drinking water centres shown on the drawings.

9. LATRINES AND URINALS:—

(i) Are these in accordance with the requirements of Sec. 19 of the Factories Act, 1948, read with Rule 41 to 50 of Bombay Factories Rules 1950.

(ii) (a) Is separate enclosed accommodation provided for males and females.

(b) Please state the number of latrines provided for males and females.

(1) Males.

(2) Females.

(c) Please state the number of urinals provided for males.

(The above information should clearly show the existing and the proposed latrines and urinals accommodation).

(iv) Is the proposed accommodation approved by the Health Department.

(v) Are glazed tiles or similar impervious material used in lying the floors and walls—upto a height of the 3′ of the latrines and urinals and the sanitary block (vide Sec. 19(2) (c) of the Factories Act 1948).

(vi) Are the latrines of flush-type.

(vii) Are the latrines and urinals connected to sewage system as required under Rule 47 of Bombay Factories Rules 1950.

(viii) If no drainage system exists, is an efficient system of septic tanks provided.

(ix) Is a sufficient number of water taps provided near the latrines.

(x) Provision made for trade waste disposal

10. WASH PLACE:—

(i) Are the proposed wash places in accordance with the requirements of Section 42 of the Factories Act, 1948, read with Rules 69 of Bombay Factories Rules, 1950.

(ii) Is separate enclosed accommodation provided for males and females.

(b) Please state number of proposed taps on stand pipes, wash basins and bath rooms for use of males and females.

(The above information should show clearly existing and proposed accommodation).

11. CLOAK ROOM:—

Is the cloak room provided for workers?

If so, state the area.

Is the separate cloak room provided for female workers?

If so state the area.

Will the lockers be provided for workers.

Are the arrangements made for drying of wet clothing.

12. CANTEEN:—

(Applicable to factories where more than two hundred fifty workers are ordinarily employed).

(i) Are the plans of the canteen submitted in the duplicate to the Chief-Inspector of Factories for approval.

(ii) Is the proposed canteen in accordance with the requirements of Sec. 46 of Factories Act, 1948 read with Rule 72 to 78 of Bombay Factories Rules, 1950.

(iii) (a) Is the floor area of the dining hall calculated at the rate of 10 sq. ft. per dinner for 30% of the maximum number of workers working at any one time.

(b) Please state maximum number of workers working at any time and the floor area of the dining hall in each section.

Men.

Women.

(iv) Is separate enclosed accommodation provided in the dining hall for female workers.

(v) In the minimum distance between the floor of the canteen and the lowest portion of the roof not less than 12 ft.

(vi) Are a kitchen, stores, washbasin wash place for utensils, etc. being provided and shown on the drawings.

(vii) Are doors and windows of the canteen made fly proof.

(viii) Is there any latrines, urinal, boiler house, coal stock, ash dump, smoke or obnoxious fumes within fifty feet of the proposed canteen.

13. SHELTERS, REST ROOMS AND LUNCH ROOMS:—

(Applicable to those factories wherein more than 150 workers are ordinarily employed).

Note:— It should be noted that the provision of shelter and lunch room required under Sec. 47 is distinct from dining hall of the canteen required under Sec. 46 and Rule 73.

(i) Are the plans of the proposed work submitted in duplicate to the Chief-Inspector of Factories for approval.

(ii) Is the proposed work in accordance with the requirements of Sec. 47 of the Factories Act, 1948 read with Rule 79 of the Bombay Factories Rules 1950.

(iii) Is the proposed rest shelter and lunch room conveniently situated for workers.

(It is desirable that the rest shelter & lunch room should be built in Section close to the work place).

(iv) Is the minimum distance between the floor of the proposed work and the lowest part of its roof not less than 12 ft.

(v) What is the approximate number of workers likely to take advantage of this accommodation.

(vi) Is the floor area of the proposed work sufficient to accommodate the workers at the rate of 12 sq. feet per head. Please state the floor area.

14. CRICHES:—

(Applicable to those factories wherein more than fifty women workers are ordinarily employed).

(i) Are the plans of the creche submitted in duplicate to the Chief Inspector of Factories for approval.

(ii) Is the proposed creche in accordance with the requirements of Sec. 48 of the Factories Act, 1948, read with Rule 80 to 83 of Bombay Factories Rules 1950.

(iii) Is the minimum distance between the floor of the creche and the lower part of its roof not less than 12 ft.

(iv) What is the approximate number of children to be accommodated in the creche.

(v) Is the floor area of the creche provided at the rate of 20 sq. ft. per child. Please state the floor area.

(vi) Are the following provided:—

(a) A wash for children and for washing their clothes.

(b) Sanitary accommodation for children.

(c) A cupboard for storage of clothing, food etc.

(d) A room for the nurse.

(e) A suitable fenced and shady open air playground for older children.

(f) Accommodation for storage of milk, food, etc.

(g) Mother's feeding room.

15. LAYOUT OF MACHINES:—

(i) Are aisles and passage ways in the factory clearly marked on the layout.

(ii) Is a clear distance of 3 ft. have been maintained between any machine and the nearest wall.

(iii) Does the layout provide a free passage way giving access to all means of escape in case of fire and emergencies.

NOTE:—

For layout of textile machinery a reference may be made to the recommendation of the Government of India Post-War Planning Committee (Textiles).

Date:— Signature of Applicant.
(i.e. Occupier).

Name and address of Architect.

				VENTILATION						
Length, breadth, height, (all in feet).	Total floor area in sq. feet.	Floor area occupied by machinery.	Breathing space (cubical contonants in cubic feet).	No. and sizes of door	No. and sizes of window opening in the outer walls.	No. and size of sky-light (opening)	Total area of windows and doors in the outer wall.	Total area of sky-light.	Maximum number of persons who may be employed in the room.	Remarks.
2	3	4	5	6	7	8	9	10	11	12

Signature of the Occupier.

"PROCEDURES UNDER FACTORIES ACT"

by

Shri G. M. KOLHATKAR,

Deputy Chief Inspector of Factories, Maharashtra State.

In this paper it is intended to bring out as to what an Occupier or an Owner of any factory which is likely to be governed by the Factories Act is expected to do so as to comply with the Factories Act enforced by this Department.

Secion 6 and 7 of Factories Act provide for this:—

Application for registration and grant of licence.

Under Section 7 a notice in the prescribed form in triplicate giving the details as required under the Section as enumerated below has to be submitted:—

(a) the name and address of the Occupier;

(b) the name and address of the Owner of the premises or building (including the precincts thereof) referred to in section 93;

(c) the address to which communications relating to the factory may be sent;

(d) the nature of the manufacturing process;
  (i) carried on in the factory during the last 12 months in the case of factories in existence on the date of the commencement of this Act and
  (ii) to be carried on in the factory during the next 12 months in the case of all factories.

(e) the nature and quantity of power to be used;

(f) the name of the manager of the factory for the purposes of this Act;

(g) the number of workers likely to be employed in the factory;

(h) the average number of workers per day employed during the last 12 months in the case of factory in existence on the date of the commencement of this Act.

This is to be done within 30 days in advance as far as new factories are concerned.

The application for registration and grant of licence is also to be submitted in prescribed forms as per Rule No. 4.

These forms are supplied at the Office of the Chief Inspector of Factories, as far as factories in greater Bombay are concerned.

As far as the factories in moffusil are concerned, the following branch offices supply forms to the factories falling under the jurisdiction of each office.

Poona.	The Districts of Poona, Ahmednagar and North Satara.
Dhulia.	The Districts of East Khandesh, West Khandesh, and Nasik.
Kolhapur.	The Districts of Kolhapur, South Satara, and Ratnagiri.
Sholapur.	Sholapur District.
Thana.	The Districts of Thana and Kolaba.
Aurangabad.	The Districts of Aurangabad, Nanded, Parbhani, Bhir and Osmanabad.

All such forms in old Vidharba area are distributed by the main office at Nagpur and collected also by the same office. For any factory owner in Greater Bombay he can send the amount by a crossed cheque or postal order for the appropriate amount of fees drawn in favour of the Chief Inspector of Factories.

All Occupiers at other places should send the amount by paying the appropriate fee in the local treasury under the proper head of Account, namely, XXXVI Miscellaneous Department and attaching the treasury receipt to the application.

Approval of Plans

Section 6 of the Factories Act and Rule 3 are the controlling Section and Rule for this matter.

This provision is to ensure that any new factory coming up is not substandard and complies with the provisions of the Factories Act.

Site on which the factory is to be situated is to be approved by the Chief Inspector of Factories.

Application for such permission is to be made in prescribed form along with the detailed documents as stated below:-

(a) A flow chart of the manufacturing process supplemented by a brief description of the process in its various stages;

(b) Plans in duplicate drawn to scale showing:-
   the site of the factory and immediate surroundings including adjacent buildings and other structures, roads, drains etc.,

   (ii) the plan, elevation and necessary cross-section of the various buildings, indicating all relevant details relating to natural lighting, ventilation and means of escape in case of fire. The plans shall also clearly indicate the position of the plant and machinery, aisles and passage ways; and

(c) Such other particulars as the Chief Inspector may require.

To facilitate this office to check on matter of compliance with the provisions of the Factories Act, a detailed questionnaire is drawn up.

Every factory however should see that this is properly filled and information required is sent in, as there are several cases when plans have to be rejected for want of full information.

It should also be ensured that proper drawings are submitted showing all required details in duplicate so that the approved copy of the drawing can be sent back to the occupier. This form is supplied on request.

Disposal of Trade Waste and effluents is controlled by section 12 of Factories Act. Under Rule 18 prior approval is necessary from the District Health Officer. The Assistant Director of Public Health can be approached in the matter if necessary. This is an important item for certain class of factories where trade waste is likely to affect or contaminate water supply or river water.

All plans are to be approved or rejected by the Chief Inspector of Factories.

To facilitate quick disposal and to avoid cross correspondence it is better for any factory owner to approach Chief Inspector of Factories, through the Inspector for the area as the Inspectors are in the know of the broad requirements and as such they can advise on the spot.

It should be noted that any occupier starting a factory in an old existing building is required to get the plans approved.

While appreciating the difficulties in case of small or medium size factories, in such cases it is equally necessary to see that no new factory starts in a substandard condition.

Owner's responsibility is provided for in certain circumstances as provided for under section 93.

It is better for the management to keep this in mind so that they can get the position clarified from the landlords before occupying any place for factory purpose.

As the Chief Inspector of Factories has to decide the approval or rejection within three months, if all the required particulars and information is supplied, the cases can be quickly decided.

It is also noted that the management seem to be averse to come up with the plans quickly enough.

It is in their own interests that the plans are submitted and approved early and in good time so that there is no subsequent hurry or delay. If every new intending factory owner hereafter decides to consult the local factory Inspectorate on the matter of plans, it would be a matter of great relief to him as well as the Chief Inspector of Factories.

There are several cases noted where factory owners come in with the plans after the factory is practically ready to start. While Occupier's anxiety to start the factory is understood, the Inspectorate cannot just be rushed through at will.

"Get plans of your factory approved in good time from the Factory Inspector" is a key note that has to be suggested by this Department.

"PROCEDURE FOR SECURING IRON AND STEEL FOR INDUSTRIES"

By

Controller of Iron and Steel and Cement, Maharashtra State

Points of interest underlying the topic for discussion so far as it bears upon the Iron and Steel Control in force and the procedural matters underlying the acquisition of steel materials by consumers, may be explained by taking two distinct types of consumers separately, viz., (i) Builders and (ii) Industrial consumers.

Builders:

Demands for steel materials for construction purposes both from among Government Departments and the public, are met from the respective quota heads prescribed by the Government of India. In the case of Government departments, allocations are either to be booked with the stockists known as controlled stockists situated locally or with the steel producers through the office of the Iron and Steel Controller, Calcutta, which functions under the Government of India. In both the cases, procedural delays are inevitable due to the fact that the indents actually mature for supply after passing through the set stages; such as, the indents to be planned on the appropriate producers according to the category of steel required, issue of Works Orders by the producers, and ultimate supply of goods in turn when the particular indent is mature for execution. Demands of builders from the private sector are met by the State Controller depending upon the availability of stocks with a separate class of stockholders called "Registered Stockholders' who are directly placed under State Controller. Procedure of Registered Stockholders for getting steel is the same as in the case of Controlled Stockists and Government Departments as explained above.

Industrial Consumers

There are two types of consumers: (a) Steel Processing Industry (SPI)

(b) Small Scale Industrial fabricators (SSI)

(a) the procedure same as in the case of builders applies to SPI quota holders.

(b) In the case of SSI fabricators, there is one more stage before actually receiving materials for consumption. It is the 'Registered Stockholders' who keep ready stocks with them and permits are issued by State Controller subject to availability of the required type of steel materials. Allocations which are sanctioned periodically by the State Director of Industries, thus remain on the waiting registers of the Controller who has to operate the stocks declared to him by Registered Stockholders.

General:

The above stated basic procedural hurdles may be best explained in the context of the gradually changing supply position of steel in the country and the consequent simplification in the procedure being introduced by the Controlling authorities at the Centre.

In the first place, there exists acute shortage of the commonly required categories of steel, viz., Sheets, Plates and Wire. Sheets also include Galvanised Corrugated Sheets required for roofing purposes. Shortage in these categories is, stated by the Government of India, to continue for some time to come due to limited production capacity in the country. There is already evidence of much improvement in the production of Structural items of steel i.e., Beams, Angle Iron, Bars of different diameters. The procedure of obtaining these categories of steel has been liberalised now inasmuch as, more materials are made available in open market by relaxing sale conditions for indenting registered stockholders. Builders requiring heavier sections of steel materials for large constructions like, factory sheds, are, therefore, better off in comparison to the small builders mostly concerned with residential type constructions; there being still shortage of Bars of smaller sections i.e., below 1/2" diameters. Nevertheless, the position of round bars of all sections is expected to be easy in course of time. This may be partly attributed to the relaxation of the provisions of Clause 16 of the Iron and Steel Control, whereby, any industry employing upto 50 labour strength, can switch over to the production of categories of steel by using locally available scrap as the raw material. This is so far as the requirements of steel materials for building construction purposes are concerned.

It has been stated above, that the shortage of Sheets, Plates and Wire is to continue for some time to come. This is because

of the fact that, these categories are produced at present only by the Main Producers in the Country namely:

(1) M/s. The Tata Iron & Steel Co. Ltd., Calcutta.

(2) M/s. The Indian Iron and Steel Co. Ltd., Calcutta.

(3) M/s. The Indian Steel & Wire Products Ltd., Indranagar.

Production capacity being limited at present, there have been considerable backlogs on the books of these Producers. Actual supply from the time of taking indent on their books usually take 12 to 18 months and the consumers have, therefore, recourse to use alternative materials as may be available, such as, defective, non-standard etc., as may be offered to them, pending receipt of prime quality materials.

Nevertheless, the indenting aspect for certain types of industry; e.g. foundries, Mills etc., requiring Pig Iron as the raw materials for casting purposes, has been liberalised for over a year now; Pig Iron being now in good production from the Plant in Public Sector. All restrictions on indenting Pig Iron have been relaxed and now no quota system exists for routing indents through State Controller.

A very encouraging announcement has been made in the last week of August 1960 by the Iron and Steel Controller, Calcutta Stating that Rourkela Steel Plant is to go into production in the very near future and the consumers, controlled/registered stockholders are invited to send their indents in reasonable quantities without any quota restrictions; or, without the procedural requirements of sending their demand to State authorities. The announcement refers to the production of Black Plain Sheets from 10-14 gauges, Steel Plates 3/16″ thickness and above, and Hot Rolled Strips 3¾16″ and 1/8″ thickness.

It may be summarised that, considering the healthy trend found in the production of steel industry generally and the Central Government's keen desire to gradually relax procedural hurdles and make available consumers' requirements in easy stages, an era of plenty is in sight. Difficulties of the consumers which were mainly due to shortage of steel; much less than the rigid controlling measures, would no longer exist.

"THE PROBLEM OF MUNICIPAL FACTORY PERMIT TO INDUSTRIES"

By

SHRI HIMMATLAL N. KHIRA,

President, Bombay Industries Association.

The launching of an industrial enterprise is a very intricate problem requiring the consideration of a number of factors such as land, power, water, transport, machinery, raw material, labour, finance, management, production, sale and the relevant rules and regulations of the various authorities concerned. And as in the case of a precision watch, all the factors involved require to be handled, if not simultaneously, in their proper sequence. The failure of one upsets the whole cart. If all the factors are properly solved then and then only the industrial enterprise sets itself into motion and produces the necessary wealth in the shape of different articles.

It is difficult for a man to understand the hazards and the implications of an industrial venture unless he is already in. But when he begins, he immediately realises that each factor is a hurdle by itself and has to be crossed with much dexterity and at a great loss of time. The solution of each factor becomes a story for himself requiring great efforts and endless form-filling.

Out of all these factors, I would take here only one factor, i.e. industrial location. It is the hardest and the toughest task to find proper location and to get a municipal factory permit for running industry in Greater Bombay area.

According to the Section 390 of the Bombay Municipal Corporation Act, nobody can run an industry in Greater Bombay area without having a municipal permit. It is a prime necessity for every industry for its existence. But there is no sufficient awareness on the part of the authorities or others interested in promoting the growth and development of industries, of the innumerable and irritating conditions imposed by the Municipal Corporation while granting or renewing a Municipal permit for any factory.

The Section 390 of the Bombay Municipal Corporation Act has an obvious purpose of safeguarding the health and sanitation of the City, but in actual practice it has been a source of great harassment to the factories. Even though the factories are run since more than 10 years, the permanent permits are not granted to them, but temporary permits of three years or five years are granted to the factories. So there is no stability or certainty for the factories. At the interval of every 3 or 5 years, they have to apply again, pay fresh fees and have to be at the mercy of the petty officials and what it applies.

Very recently the zoning policy and the proposed Master Plan for Greater Bombay has created new scare and new difficulties for the industries. Now the Corporation grants temporary permits with certain conditions, asks the parties to keep deposits with the Corporation as a security for the fulfilment of these conditions, and some industries are served with quit notices by specific dates. As this situation creates an air of uncertainty in the minds of the owners of factories, they cannot plan or expand for the future. Moreover, the factory owners are entirely left at the sweet will or discretion of the inspecting officials. This encourages mischiefs, malpractices and delays.

The problem of industrial locations was carefully examined by the Study Group appointed by the State Government under the chairmanship of Shri B. G. Barve, I.C.S., Secretary to the Government, P.W.D. The Corporation was also represented on this Group. After weighing all the pros and cons in its report the Study Group has, inter alia, made the following broad recommendations:-

(1) "The aim of the zoning scheme should be to bring about any such discongestion of the Island area as far as possible by creating incentives for removal of such units outside this area."

(2) "Existing industrial units should not be called upon to shift outside the Greater Bombay area". In the words of the Industrial Location Panel, "it is not desirable to call upon them to shift from the Greater Bombay area. These industries have invested substantial amounts, they depend upon several special facilities peculiar to Bombay City and are, to a greater extent, mutually inter-dependent for each others' products. Asking the industries to shift from their present sites and to get themselves established outside the City will generally lead to disruption of a vital wing of our national economic life."

(3) "If, however, some industries decide of their own accord to shift from the island to the suburban area or from

the Greater Bombay area to an outside place, all possible encouragement should be given to them. In fact, we would suggest that circumstances should be created whereby sufficient positive encouragement and incentives are provided to industrial units to shift their existing industrial undertakings of their own volition."

(4) To this end, the Study Group has commended the proposal of the industrial Location Panel to set up 20 industrial estates in the Island of Bombay, 25 industrial estates in the suburbs to afford ready facilities to the non-confirming units to shift themselves and has emphasised that the establishment of the industrial estates and industrial area should be taken up on a priority basis and facilities required for the industry in such areas provided as early as possible.

(5) "As suggested by the Industries Location Panel in this behalf, we would recommend that the progress in the matter may be watched for a period of five years on these lines."

Apart from these broad recommendations, the following observations made by the Industries Location Panel are also worthy of note:-

(a) Taking a larger and long-term view of the impact of the increase in production on the general economy of the country, and in encouraging the export drive, we are of the opinion that, subject to the location regulations, no impediments should be put in their way either in running more shifts or working to their fuller capacity.

(b) It is pertinent to observe in this connection that absence of essential facilities like transport, electricity, water-supply, etc. needed for the development of the resources in the mofussil areas and their existence for a long time in Bombay, have attracted industries towards Bombay. Moreover, the additional special facilities of the Bombay Port, the existence of well-established markets and the large facilities obtainable from the banks and commercial houses in the City, and several other factors of a similar nature which it takes long to provide elsewhere, have led the industries to establish in the island of Bombay. Further financial, industrial and business houses and various other organisations have also established themselves in Greater Bombay area which provides the talent, drive and guidance which industrial development vitally needs.

It is obvious that the prosperity of the City of Bombay is largely due to the industries located here. Bombay derives its importance primarily from its industrial establishments and the industrial and commercial activities and not from its population or offices. A threat to their existence is a threat to the very importance of this great city. No concrete or positive steps have so far been taken either by the Government or by the Municipality to implement the recommendations of the Study Group, but without offering any incentive or alternatives to the industries to move out in the suburbs, the Corporation has come out with notices on industrial undertakings and created an atmosphere of uncertainty.

There is no clear-cut definition of light and heavy industries and the different interpretations placed on these terms create a lot of confusion and uncertainty. Classifying industries as light or heavy depending upon intensity of the noise, vibrations and other nuisance factors in an industry involves use of personal judgments which if not carefully exercised carry dangerous implications. Many of our members feel that there is considerable discrimination between small scale and large scale industries and different yardsticks are used for different people on the issue of shifting of industries. Initially the move was to shift the industries to the suburbs and now a threat is held out to a number of industries in the suburbs as well.

There is no uniform or fixed policy followed by the Municipal Corporation in this respect. Several factories are in existence for more than 10 years but the permanent permits are not granted to them even though some of them are in industrial zones or belts. In some cases permits are renewed for a period of 3 years and they are kept in suspense. In some cases the factory permits are temporarily renewed every year with certain conditions attached. In some cases the Corporation is imposing certain extraneous conditions for grant of permits which in our opinion the Corporation is not authorised to impose. In certain cases outright notices to close down the factories are served in a cavalier fashion. This attitude of the Municipal Corporation has created a scare amongst the minds of the factory owners and due to this air of instability, they are not able to plan or execute their production programmes. It has seriously affected the industrial development of this area.

It would be apparent from the above to any observer that the Municipal Factory permit problem has become a source of headache to many industries in this area. The whole procedure is not streamlined, and the interpretation and the execution of the Municipal by-laws in this respect have been left to the lower

executives. As a result various conditions as mentioned below are stipulated by those municipal executives before they renew the permits.

Conditions:

1. Asking the factories to pay deposit ranging from Rs. 500/- to Rs. 5,000/-;
2. Asking them to enter into agreement on a stamped paper that they would bear the development cost of that area;
3. Asking them not to work night shift;
4. Asking them to construct houses for their workers within a stipulated time;
5. Asking them to shift somewhere else within a stipulated time; (the required agreement on stamped paper);
6. Asking them to do certain impossible structural changes in the factories.
7. Asking them to give up a part of their land for public purposes.

And when the industries do not agree to such impossible demands, their permits are not renewed and they are treated as factories working without valid permits and are served with "Stop working" notices under Section 390. In fact this position is created by the Municipal Corporation itself by the imposition of impossible terms and conditions, which in fact are not authorised.

I have taken only one factor to show the difficulties of the industries. I have no doubt in my mind that the State Government and all the authorities including the Bombay Municipal Corporation are genuinely interested in the growth and development of industries. Hence it is very necessary that the whole procedure regarding the issue of permit to the existing industries and the new industries should be streamlined and simplified on the basis of the following suggestions:-

1. Let the Municipal Corporation give wide publicity to their zoning plans and programmes and take the association of industries into confidence.
2. The threats of sudden shifting of the existing industries without providing them with alternate accommodation, light, power, roads, transport, etc. should be given up once for all. In case of public and social needs, the industries should be offered some incentive such as cheap land exemption from the general tax, etc.

3. To act according to the recommendations of the Study-Group for Greater Bombay.

4. The existing factories which are in industrial areas should be immediately granted permanent permits without any attached conditions.

5. The areas having several factories in a group should be declared as industrial areas or belts and the factories located in such areas or belt be given permanent permits.

6. The factories which were in existence in certain suburban areas prior to their merger with the Bombay Municipal area and which are not located in the present industrial areas or belt but which do not create any specific nuisance of a serious nature, should be granted permanent permits.

7. The factories which were in existence prior to the merger of their area with Bombay Municipal Corporation and which are creating nuisance of serious type would be provided with alternative accommodation but in the meanwhile they should be granted pernıits for a period of 5 years.

8. The new factories which are being established in industrial area should be granted permanent permits within three months of their application.

9. The decision on all applications regarding permits should be given within three months in future.

10. The decision of granting factory permits to any industrial units or cancelling the permits should be taken by an advisory committee where over and above the municipal officers, the representatives of the associations of industries should also be nominated so that the problems could be understood in all its implications.

11. Firm steps should be taken to set up the industrial estates and industrial areas in the island as well as the suburbs of Bombay as recommended by the Study Group in collaboration with the Government and associations of industries concerned in this matter in order to provide incentives and alternative accommodation to the industries which have to be shifted from their present locations.

I have based this paper on the factual conditions existing in this great City, the urbus prima of India, which is considered to be the hub of industrial production.

The other factors are not less important, but this being the first and the basic factor, it is of vital importance that it may be properly set right to the satisfaction of all concerned.

"PROBLEM RELATING TO RAW MATERIALS, LABOUR TRANSPORT, MARKETING AND WORKING CAPITAL"

By

SHRI PRABHU MEHTA

RAW MATERIALS

0.0 I consider it a privilege to be able to present *a chronicle of difficulties* to the Seminar held under the auspices of Indian Institute of Public Administration, Bombay Branch, on the subject matter of operating successfully an Industrial Enterprise.

1.0 I have been asked to deal with the Group III 'Operations' and to deal with Raw Materials—Labour—Transport—Marketing and Working Capital. To operate successfully an Industrial Enterprise is the culmination of the efforts expanded in promotion and construction, towards the fulfilment of the goals envisaged. Therefore the utility of our discussions cannot be over emphasized.

1.1 The Industrial Enterprise uses various kinds of materials. Raw materials are an important group of materials used in Industry which go into the manufacture of a product or products. The other materials consist of purchased parts, in-process materials, supplies and equipment items.

1.2 For the successful operation of an enterprise all kinds of materials enumerated above are materials which either go into the manufacture of a product or assist thereto and therefore have a determining influence on the ultimate quality, quantity and cost of production.

1.3 Due to the economic situation obtained within the country, such as rapid industrialisation, shortage of foreign exchange, curtailment of imports, internal high prices and scarcity of certain essential raw materials the possibility of obtaining an uninterrupted supply of raw materials at the right time, at the right place, at right prices in right quantity of the right specifications is very rare. Ordinarily management of raw materials is not an easy task

but conditions prevalent now makes it very difficult for an entrepreneur to function adequately in the capacity of a good material manufacturer. The Government have made special efforts and have promulgated several orders and agencies to deal with certain scarce essential raw materials to have equitable and effective distribution of these raw materials to various consumers. It is my opinion that the purpose what the Government has in mind is not well served.

2.0 For our considerations, we will classify raw materials into two broad classifications.

1. Raw materials indigenously produced.
2. Raw materials partly or wholly imported.

I believe our purpose will be served if I highlight a few of the major difficulties that go into details.

2.1 There are many materials, used as raw materials produced in India, are in short supply or are not of required specifications or are available at higher prices through monopolised distribution. In a mixed pattern of economy that we have preferred depending upon the nature of supply and demand, so long as the economy of plenty does not develop, we will have to endure some of these difficulties. Only the enlightened self-interest of producers and suppliers can relieve the situation. When there is an extreme shortage or extravagant exploitation of a situation then Government of India normally devices measures either by having a directed distribution system or by supervising the prices and distribution or by allowing imports through the State Trading Corporation; it will suffice to say that these measures partly relieve the situation for the time being but does not provide a lasting solution to the problem.

2.2 The prohibition policy of various governments create difficulties in obtaining supplies of materials by the industry which can be fermented or which are alcohols or alcohol-based; while the boot-leggers, I have been told, get entire supplies and only the genuine industrial consumers have to suffer. In view of the fact that these restrictions do not evidently seem to discourage or cut out the supply to the boot-legger but only hinder the industrial consumer, one could recommend advisably, if not removal, liberalisation of the policy as far as the supply of industrial raw materials to industrial consumers is concerned.

2.3 Some of these raw materials if available in adequate quantities are not of the right specifications and available at the right prices at the time required. Some manufacturers or the stockists of these scarce raw materials are not co-operative. Because of the

continued prevalence of the sellers market, knowing that the consumer has no other alternative but to buy from them at their prices, payment and delivery conditions. In some cases it is known that not only adequate quantities are not being supplied but the suppliers insist on a blank cheque to be sent to them, in which the amount will be entered by the supplier. When the moneys entered in the cheque are credited in suppliers account then the delivery challan for material is given. Others ask for deposit against order of materials, and no guarantee of delivery is given on their part. In some cases to exploit the markets, there is favouritism between producer and supplier and only on certain considerations supplies are given.

3.0 The packing of indigenously produced raw materials is more often than not proper. In many cases the packaging is not adequate nor standardised and materials do get wasted or deteriorated in transport and storage. Manufacturers must give considerable thought in designing their packages so as to generally facilitate the use of the raw materials by Industry.

4.0 The another difficulty is of standardised specifications for the raw materials. The Indian Standard Institution have approximately more than 1200 standards. Number of standards exist for many important raw materials utilised by Industry.

4.1 By dint of an Act of Parliament, the I.S.I. operates a Certification Marks Scheme where the material manufactured according to Indian Standard specifications get a licence to mark the I.S.I. standard on the materials thereby giving the buyers a third party guarantee of the quality. Though this scheme, to an extent, is received well by enlightened manufacturers, many main producers of raw materials are still averse to adoption of this scheme and to obtain licences under the scheme. As far as the materials of standard specifications are concerned, I can do nothing better than strongly recommend to the producers to enter into an agreement with the I.S.I. under the Certification Marks Scheme and obtain licence to mark their materials, and thereby give a third party guarantee to the buyer of quality of material. I.S.I. marks creates confidence for the product and help to build up trade.

5.0 There do not exist many organised agencies to settle various dispute arising out of trade in materials between buyer and sellers. It seems that chambers of commerce everywhere can play a useful role by taking upon themselves the arbitration of these disputes and by drafting and adopting a code of conduct for their members in the matter of Fair Trade Practices.

5.1 It should be realised that industrial enterprises cannot permanently be left at the mercy of the main producers of raw mate-

rials as inadequate supplies in quality and in quantity, late deliveries etc. ultimately increase the cost of the produce and effect the quality of the produce and reduce volume of production thereby contributing to lower productivity in manufacturing Industry. Poor Indian consumer is paying for all these deficiencies of malpractices.

6.0 In second group falls imported raw materials. These materials constitute a group of raw and pocessed materials which India is not producing at all or is producing not in sufficient quantities or of right specifications or sizes. Due to paucity of foreign exchange a very elaborate system has been devised by the Government of India to given Essentiality Certificates to the applicant for imports of these raw materials. These essentiality certificates are given either by the respective development wings or through designated authority of the Central or State Governments to the scheduled industries for importation of every kind of materials required for industrial use. For small scale industries State Director of Industries issue essentiality certificates. Issuance of an essentiality certificate is more often than not unduly delayed. These delays cause delays in issuance of an import licence resulting in shortage of materials. Authority issuing essentiality certificate consider, past consumption, stocks on hand, licences on hand and various other factors before issuing the certificate, therefore one understand, that licence would be issued of the full value or quality recommended in the certificate. In many cases, even the full value recommended by the recommending authority in the essentiality certificate is not granted in the import licence.

6.1 It seems that though the Government of India has called one particular department of theirs in the Ministry of Commerce & Industry as a competent authority to verify the need of an industrial enterprise of imported raw materials the other department of the same Ministry over-rides the decision of the one competent authority and either reduces, delays or refuses the import licence. It is very necessary that the Essentiality Certificate once granted should be honoured by all the import controllers at various places in India and the licences be issued accordingly.

6.2 The practice of issuing licences for certain raw materials which are scarce in the world and are in short supply all over the world for a period of six months also creates difficulties to Actual Users. Sometimes deliveries are very long and the actual user is unable to get the material in hand in time to satisfy production needs. The trade has been requesting the Government of India to make these licences available for a period of one year with a proviso that Government should at the end of six months depending upon the foreign exchange position make a cut if

necessary in the value of the licences for the next period. We have been assured that the Government of India is sympathetically considering this suggestion but till now this policy is not applied universally.

6.3 Many Industries need either for extension or for development or for an improvement in product, materials not hitherto utilised. The issuance of Essentiality Certificate requires generally past consumption and due to the pausity of Foreign Exchange is governed by the availability of the Foreign Exchange Ceiling with the Recommending Authority and therefore requires a considerable time for the consideration and is generally issued for very small values. This Policy, though in the face of it seems justifiable retards the progress of products development in our Industries. It is said that there is a provision in the policy to permit imports of the value of Rs. 500/- for the new material not hitherto utilised. This provision hardly seems adequate.

6.4 It is a patent fact that there is a progressive and continuous change in the pattern of consumption of materials in India. The volume, the quality and the quantity of the kind of materials utilised is undergoing a continuous change in keeping up with the increasing industrial activity and diversification of products manufactured. It is true that the Government of India takes into consideration this change in pattern of consumption every six months before deciding upon the new Import Policy. It stands to reason that the problem of that magnitude leaves certain consideration at the loose end for which the policy decisions are taken at a later date. The delay in decision also creates upward fluctuation in the raw material markets at home and handicaps industrial production.

7.0 The allocation of the Foreign Exchange Ceiling for importation of raw materials is based on certain national needs and priorities. There are groups of Industries who have the grounds that though their Industry deserve higher priority, the same has not been granted by the Government. This is not the time and place to go into the mechanics of determining the priority but the mention of the same should suffice the purpose.

8.0 In many commodities, like, Steel and Cement, the Government of India has resorted to distribution control and a pool price in the case of Steel, while in the case of cement there is a price control and to a limited extent direct distribution. There is a section of opinion and that to a very large one, who firmly believes that Iron and Steel control has contributed more in creating scarcity and subsequent mal-practice than any other agency appointed by the Government to achieve adequate distribution of

raw materials at reasonable prices; an adequate relaxation of the control or removal of the same, without going into the argument whether this criticism is justified or not, one could say without fear of contradiction that the industry is not happy with the Iron and Steel Control.

9.0 The change in pattern of consumption also creates certain difficulties in clearing of raw materials as Customs I.T.C. Schedules have not been able to keep up with the change of pattern of consumption and therefore avoidable delays occur in clearance. On many occasions higher import duties than should be leviable are charged. Testing takes considerable time and lengthy arguments take place regarding a suitability of particular licence for import of a particular item of a particular composition. For Actual Users it is felt that many of these formalities are unnecessary. These raw materials once within the country will be utilised to produce goods and service to augment national income.

10.0 I have very briefly mentioned a few of the difficulties that an entrepreneur faces in acquiring raw materials for his industry. Another factor that need be mentioned here is the exploitation of monopoly and import quotas for raw materials by creating man-made scarcities of these materials to realise higher prices. This is an anti-social activity and is rather surprising that the Government has not been able to deal adequately till now with these Anti-Social Elements.

LABOUR

0.0 The adequate supply of workmen for Industries should present no difficulty at all, in view of the fact that we have many millions able bodied men and women unemployed. With this statement, every one will agree. Howsoever in reality the position is quite different. Though men are available for work and desire gainful occupation howsoever they are not trained for one job and therefore are not fit for specific industrial employment. There is dearth of facilities for vocational training of every kind. There are people who hold the opinion that it is the responsibility of industry to train labour, while the industries do feel that it is unreasonable to ask industry to give a training to workmen at their cost. Industries would like to have men with basic vocational training, and train them in their factories for specific job. The dearth of properly trained workers has contributed to a very large extent to lower labour productivity in our manufacturing Industry.

1.0 As soon as an entrepreneur becomes an employer, he has to face plethora of labour laws with which he is obliged to get familiar. The multiplicity of law involving various obligations under the Social Welfare Legislature creates a situation where an

average entrepreneur is not aware of his rights and responsibilities. Attempts to improve the lot of an Industrial worker in haste is definitely entering into the domain of legalising human relations between the employer and the employees. I for one have always believed that where human relations are concerned, the law cannot help much. It is the co-operation between each other and the understanding of each others point of view that helps to build a lasting and happy relationship. There is no gainsay in the fact that but for these laws the lot of the labour would not have improved. There are many who firmly believe that these multiplicity of laws have reduced the efficacy of the normal Trade Union practice of collective bargaining for conditions of work, for the determination of wages and work leads.

2.0 Once a worker is hired and acquires the status of permanency then the employer finds it very difficult to fire him for very valid reasons. The law which has made the discharge of a worker very difficult for the worker has brought in a sense of irresponsibility and lack of indiscipline in the Industrial worker. It is surprising that the Government do not tolerate a certain kind of indiscipline from their own employer while Industrial employers are obliged to put up with a lot more of indiscipline by the dint of laws. The recent strike for Central Government Employees, I do hope, have made the Government to realise what it is to face a strike and gross indiscipline of workers, in an Industrial Enterprise.

3.0 At this particular junction I believe I should make it clear, that I have always stood for and fought for better conditions of work and improvement of the lot of the industrial workers, and for their considerations as colleagues in the enterprise. However no one could deny the fact that everyone concerned in a co-operative effort must himself submit to discipline for the sucessful working of that enterprise, and legal loop-hole cannot justifiably permit escape from this discipline. I do also feel that the Indian Trade Union Movement, as it is manoeuvred like a puppet show by the Political Parties, have failed in their duty to bring to their workers at home the understanding that every right involves a responsibility. They have also failed to make the worker appreciate the fact that as a part of the community in which they live and work, they also have certain civic and social responsibilities to produce a fair days' work for fair days' wages.

4.0 There are many of us who believe that instead of multifarious social welfare legislation there should be one comprehensive scheme to give the Industrial Worker all the desired benefits under one Administrative Authority. Such scheme would not only help the worker to get his benefits quickly and adequately but

reduce the tremendous Administrative cost which the Authorities incur ostensibly for the social benefit of an Industrial Worker. There are many who feel that the job which these authorities are doing can quite adequately be done at one fourth of the cost.

TRANSPORT

0.0 I would only be repeating what everyone of us has been saying for the last 10 years that transport is one of the acutest bottlenecks which retards our industrial development and programme of dispersal of industries.

1.0 In the first Five-Year Plan, we started with a goal to diversify the means of production and to de-centralise the industry. It is a fact that we have failed in achieving this goal in the last two Plans. One of the most important reasons for this failure is the lack of adequate transport facilities in the hinterland.

2.0 It is also a very sad state of affairs that the Government of India having nationalised the Railways are keen on doing away with the competition in Road Transport and, therefore, are nationalising various forms of Road Transport. The private transport operators in recent years have proved that not only they are able to give a more efficient service, quicker transport to the goods, sometimes at a lower cost than what Railways have been able to do. I for one feel that leaving aside the ideological considerations, the need of the country demands that means to transport men and material should be augmented to have fruitful results out of the large sums that are being invested in the development of this country.

3.0 The lack of roads and bridges handicap expansion of Road Transport at many places. Though in every five-year plan, the targets are set for building high-ways and roads in the States, most of the targets are not fulfilled. It is evident that either the Projects were under-estimated or no adequate funds were provided for fulfilling the targets. An Industry in Hinterland, has a permanent problem in transporting materials and finished products to and from the factory.

4.0 A look at the industrial economy will at once prove the need for good roads throughout the country for achieving industrial development.

5.0 Railway bookings are sometimes not available for many days for certain destinations. For certain kinds of goods a permit has to be applied for transporting the material by railways. There

is acute scarcity of wagons at many places. Wagons can only be had, if treasury bills recommend the need. There are instances where the railway wagons loaded for one destination have been diverted to another destination because someone has been able to induce such a diversion.

6.0 Mal-handling of materials, lack of adequate care in transport and the loss of material in transit has become a permanent feature of our transport system. Loss of imported material at ports is also another feature that we have to meet with constantly. These losses delay the industrial production and sometimes hold up the deliveries of machines and finished material for a considerable time, upsetting industrial production in other associated industries as well.

7.0 We have been told by people who know that in many parts of India very efficient and adequate river transport can be organised. It seems that the States and Central Governments have not been devoting as much attention to the development of River Transport as it should have. Development of River Transport could ease the load on railways and roads

8.0 Many an industrial enterprise to mitigate these difficulties have a fleet of their own trucks to transport their raw and finished materials. Running of these trucks by private enterprise requires a permit from the Regional Transport Authorities which sometime is unduly delayed or refused. These permits are given after payment of very high fees and taxes, but are only available for movement in a particular area. For transport of materials in one state from one area to another, some times a vehicle would need more than four to five permits. It should be possible to make such arrangements that a vehicle registered in one State can move freely in that state for transport of materials.

9.0 There is another kind of transport difficulty which an industrialist has to meet with and that is the difficulty of transport of materials internally in the factory. In many cases though modernisation in the industry have taken place, due to certain difficulties, municipal or otherwise, the buildings have not been modernised to accommodate cranes, convey lifts and machine operated trolleys etc. to transport materials. In congested cities like Bombay, the permisssions to modernise these buildings even to improve working conditions is very much delayed at the hands of Corporation and some-times are not given for years.

9.1 There is a need for development within the country of various industries capable of making machines and equipments to handle materials. There is a paucity of adequate designing in

the country for this purpose. Due to the paucity of foreign exchange, it is not possible to import all the equipment that are necessary and also pay for the design of the equipment to suit individual needs and conditions.

MARKETING

0.0 As consumer demand is expanding at a rapid rate, Indian producers today have hardly any serious difficulties in marketing their produce. However such a situation cannot last for ever. Already in some commodities, the competition is telling, while in others slow but sure change is taking place from the sellers market to buyers market. Producers today have to, in many items, meet competition, or overcome consumers preference for imported articles.

0.1 The living habits of the people of India differ very widely from north to south and east to west, and therefore product design to meet these varying needs presents some difficulties for producers of consumer commodities. Apart from some handful of producers, none have given product design the attention it deserved to meet the needs of the consumers; nor any organised attempt is made to evaluate needs, nature and volume of demands of the market. These demands change according to seasons, and there are specialised demands for marriage and festivals. These demands are met by traditional products and by ad hoc evaluation.

0.2 I am not competent to advance reasons for apathy towards market analysis and product design, but I know that many small and medium scale producers need this intelligence but cannot have it because of lack of agencies furnishing the same or the cost. Some of us are thinking of a having group of producers of the same product or group of producers of different products to get together and collect basic intelligence for market analysis on co-operative basis to reduce cost.

1.0 Many producers suffer from set back in marketing their products at lower rates, to meet competition, which does not have sufficient margin of profit for adequate product promotion. While others wish to maximize profit for themselves leaving any appreciable margin to dealers to enthuse them promote products.

2.0 Many deficiencies seem to arise in marketing programmes of Indian producers because of the lack of sound and defendable sales policy. Our sales policy is generally based on the principle of selfishness than on elightened self interest, which will promote the products, enthuse dealers, satisfy consumers and thereby enjoying the confidence of all.

3.0 Many a product promotion compaign, I have witnessed, try to run down the competition. I believe, this attitude is adopted because we know that other man is competitor, and we do not know, how good or bad he is; or we do not know strength and weakness of the competition he offers. Many of us are never able to evaluate competition correctly, because we do not have facts, and therefore wrongly indulge in competition; and adopt our sales policies on suppositions and not on facts. We believe that there is only so much business to go around and the competitor takes away part of the business; only because we do not know the volume of market we have at our disposal.

4.0 Another problem is our pricing policies. Even in our largest organised industries price vary with buyer and certain other factors. To me this policy seems selfish; and therefore do not enjoy the confidence of buyer. It can only function is sellers' market.

4.1 In days of man made shortages, the price has ceased to have relation to quality. Even in stable commodities, the normal relationship between quality and price is no more respected but other conditions like import policy, transport difficulties, sudden demand, failure of supply etc. control the factor.

5.0 To extend credits to distributors and dealers is a problem that almost all industries except monopolistic producers have to face. The problem is more acute with producers of consumer commodities. Paucity of adequate finance prohibits market expansion and on many occasions compels producers particularly small ones to distress selling. There does not exist a code of payment which is strictly adhered to except in a few organised markets.

6.0 There also seems lack of co-ordination between production and marketing. This again is due to lack of adequate information to evaluate the need of market, and co-ordinate the production with demand.

7.0 I have not mentioned the need for large stores to distribute various products across the counters, because it is a debatable point, as it involves consideration of the buying habits of the people. It will be appreciated that in paper of this nature, it is not possible to go into details or deal with subject exhaustively therefore I have made an attempt to highlight a few of the diffi-

culties that confront us. To arrive at solutions to these difficulties, considerable deliberate thought is necessary.

WORKING CAPITAL

0.0 It is a matter of common knowledge that most of our industries are under-capitalised. This may be due to various reasons but the fact remains that the under-capitalisation creates paucity of resources of working funds. During the First Five Year Plan according to the Reserve Bank analysis, "If account is taken only of companies, engaged in manufacturing, increase in paid-up capital would have provided about one-eighth of the finances required by companies for their development. However, only about half of the increase in paid up capital came from fresh subscriptions from shareholders; the remaining half being on account of capitalisation of reserves. Retained profits and depreciation reserves were the most important single source of finance and provided about 57 per cent of the total developmental finances. Borrowings were important source of finance and accounted for about 21% of the total additional resources. The balance of about 10% came from miscellaneous sources". Most of these resources were utilised for development or working funds. "Borrowings grew in importance and accounted for about 41 per cent of the total finances. In particular borrowings from banks rose sharply; providing about 25 per cent of the total needs as compared with about 7 per cent during the First Plan. Mortgage borrowings also rose during 1956—57 to provide about 14 per cent of the required finances". It could be seen from the above analysis that during the Second Plan period, the industry have been obliged to resort to borrowing much more than during the First plan period. This is because of the fact that the price of raw materials, process materials, components and others consumable stores, labour etc. have risen beyond expectation. Another important factor has been the vexing fiscal policy of the Government of India and uncertainty of the expenditure on Stores Inventory.

1.0 There has been a growing need for a careful working out budget projections to estimate the finance required for an Enterprise. Except a very few will organized-companies, may use the rule of thumb for estimating the financial needs. This rule of thumb does not hold good for changed economic conditions, for changes in pattern of taxation and for periods of high prices of commodities and raw materials. Therefore to obviate the difficulties, that generally comes in the requirements of its working

capital is to prepare a carefuly worked out budget to estimate the financial requirements.

2.0 The importance of adequate working capital is too well-known to be laboured. When determining the financial plan of a company it is necessary to determine as to how much of the working capital will be available as permanent capital and how much can be obtained on short term financing. It will also be necessary to determine the cycle which will be required to turn money into goods and services and then convert these goods and services into usable money. Determination of budget projects and cycle of turnover will be able to guide an enterprise in estimating requirement of working capital which will be most productive. I do feel that lack of this intelligence hampers the progress of many an Indian Enterprise. In view of the changed economic conditions and the earning being irregular, there is also a shift in the old policy because of the scarcity of equity capital and the tax advantage in borrowing which has brought about a shift from stock financing to loan financing.

3.0 There exist many agencies created by the Central and State Governments and independent statutory bodies like I.C.I.C. and I.F.C. giving advances and assistance to needy industries. Howsoever, one finds that most of the assistance given is for a capital expenditure on long term basis and hardly any on short and medium term basis for working capitals. There might have been a few exceptions to this rule but in general what is stated above holds true. Therefore there exists a need for institutions or agencies which can give assistance to the needy industries of short and medium term loans to meet the requirements of the working capital. The question that has been raised here is that to what extent commercial banks normally extend term-credits to meet the needs of working capital and what increased facilities are necessary.

3.1 The Central Bank Enquiry Committee studied this problem nearly three decades ago and expressed that it would not be in the interest of the banks to undertake this kind of responsibility. However, conditions have materially changed since and there is a larger consciousness all around that the need of the working capital of the industries has to be met. The question still remains as to who should meet this need. The Shroff Committee for Finance for the Private Sector which submitted its report in 1954 has made out an excellent case for banks to help private industry with medium-dated loans with support and active assistance from the Reserve Bank. United Kingdom and United States

of America follow a similar practice. The Shroff Committee has suggested a consortium of Banks for the purpose of giving medium-term loans to industries but it seems that the proposal has been put in cold-storage. The present practice of giving short-term accommodation on raw materials or by a clean over-draft is wellknown to all of us and therefore I need not go into the details except to mention the fact that clean over-drafts have to be made good either twice a year or once a year according to the practice of the Bank. Due to uncertainty of the supply of raw materials and slower turn-over of the money, many industries are obliged to have bigger inventories than would normally be required or need more money to give credit facilities to their customers. Larger organization with well-established reputation find little difficulty in getting accommodation from Banks as well as other sources such as indigenous financing institutions. While others not so wellknown find it difficult to find money for additional working capital and are obliged to borrow from their distributors relinquishing the right to charge adequate prices or to cater freely to other demands.

3.2 The small scale industries are worse sufferers in this behalf, though there exist a State Bank of India Pilot Scheme to assist small scale industries, many have not been able to take advantage of the same. It is claimed that this scheme is now functioning at 500 centres where the State Bank have branches. Many other Small Scale Industries are not able to meet its requirements. The State Bank of India Pilot Scheme though has laudable objectives, I have been told, have not been able to materially help the small scale industries because of certain rigorous requirements.

In view of what it is stated abovs, and in view of the general expected scarcity of capital in the private sector, there is an urgent need for creation of Institution or agencies either by modifying the business practice of the existing institutions or agencies or by creating consortium of Banks as suggested by the Shroff Committee to assist the industries in their requirements of working Capital.

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"OBSTACLES TO THE DEVELOPMENT OF THE COTTON MILL INDUSTRY"

By Millowners' Association, Bombay.

The Indian cotton mill industry is more than one hundred years old and is the oldest organised enterprise in the country. It claims the distinction of being a pioneer in India's industrialisation and plays the vital role of clothing the domestic population, besides earning a sizeable volume of foreign exchange to finance the country's development projects.

The industry has had a chequered career and in the course of the present decade its expansion and productive actvity have been strictly regulated in order to foster the development of the labour-intensive branches of the industry. The spinning and weaving capacity of the cotton mills in the country and the output of yarn and cloth in the period 1955-60 are shown below:—

				Production	
Year	No. of cotton mills.	No. of spindles installed	No. of looms installed.	Yarn (in mil. (lbs.)	Cloth (in mil. yds.)
1950	362	10,554,455	191,495	1,174	3,655
1951	378	10,999,225	194,567	1,304	4,076
1952	383	11,252,443	195,983	1,449	4,599
1953	395	11,422,863	197,711	1,505	4,879
1954	400	11,651,137	201,718	1,561	4,998
1955	408	11,957,637	202,714	1,630	5,094
1956	412	12,051,209	202,901	1,671	5,307
1957	436	12,491,774	200,983	1,780	5,317
1958	470	13,054,098	201,280	1,685	4,927
1959	482	13,406,466	201,063	1,723	4,925
1960	479	13,549,536	200,272	841*	2,445*

(* 6 months Jan-June)

It will be observed that during this period, while there has been an appreciable increase in the spindleage, totalling nearly 30 lakh spindles, the weaving capacity of the industry has increased only by a little over eight thousand looms. The number of looms installed by the mills has actually declined since the commencement of the Second Five-year Plan. The industry has, therefore, been able to achieve higher levels of output of cloth entirely by means of intensive working.

The Government of India's policy relating to the mill sector *vis à vis* the decentralised sector is the subject of frequent pronouncements. One such policy statement, embodied in an official memorandum dated 16th December 1954, may be quoted here at some length. "In the beginning", says the document, "certain lines such as coloured saries, lungis, sarongs, etc were reserved for the handloom industry, and production of dhoties by mills was restricted to a percentage of their previous production by levy of a penal excise duty. Installation of new looms in the mill industry is not allowed. The Textile Enquiry Committee*, whose work has been completed recently, has recommended that all further expansion of cloth production should be reserved for small-scale industries. No licences are being given for the expansion by the mill industry of garment-making and printing of cloth. An additional cess has been levied on mill-made cloth for financing the development of the Khadi and handloom industries."

These are some of the disabilities the cotton mill sector of the textile industry has been labouring under. In addition, it shares all the handicaps with other industries in the matter of establishing new units and expanding the existing ones by having to take out licenses and permissions from a plethora of authorities. The more important of these handicaps may be noted.

1. *Industries (Development & Regulation) Act, 1951.*

This Act provides for the development and regulation of certain industries specified in the first schedule of the legislation. Under the provisions of this Act, licences have to be obtained for starting new undertakings belonging to the scheduled industries, provided such enterprises employ more than 100 workers and have fixed assets in the shape of land, building and machinery valued at not less than Rs. 10 lakhs. Any "substantial" expansion of the existing undertakings, the manufacture of new articles by them and the shifting of the existing factories from one location to another require a licence from the Government. The object of

*(*The Committee, which reported in September 1954, is more widely known as the Kanungo Committee).*

the legislation is unexceptionable. Due to the paucity of capital and finance for the development of the country's economy, it is necessary to assign priorities to industries *inter se,* laying, as the Shroff Committee Report rightly points out, "emphasis on maximum utilisation of existing capacity in the case of consumer goods industries and on expansion of productive capacity and output in the case of what are broadly classified as capital goods industries."

While the need for such regulation is readily recognised, the difficulties encountered in obtaining the necessary licence have played no small part in retarding a speedy establishment of new enterprises. The simplification of the procedure in this connection, announced by the Union Ministry of Commerce in February 1960, may have eased the situation.

In the case of the textile industry, besides complying with the provision of the Industries (Development and Regulation) Act, mills have to obtain the prior permission of the Textile Commissioner for the installation of spindles and looms under the provisions of Cotton Textiles (Control) Order promulgated under the Essential Commodities Act, no matter whether they are for purposes of replacement or expansion.

2. *Control of Capital Issues Act*

This legislation lays down that the prior sanction of the Government will have to be obtained for raising the necessary finances before any new enterprise is started.

3. *The Imports & Exports (Control) Act, 1947*

Here again the Government's permission is necessary before an enterpriser places an order for the import of machinery required for the setting up of a factory or for modernising the machinery in his existing factory.

4. *The Factories Act, 1948*

To establish a factory, even after obtaining the various licenses and permissions mentioned earlier, it is necessary to take out a license under this legislation. Besides, the Act makes comprehensive provisions for regulating the working conditions, the hours of work and the amenities to be provided for the workers. Apart from complying with the various demands made on the employer by this Act, he is called upon to undertake ever-increasing obligations in relation to labour. Besides paying increased wages, the level of which has risen appreciably since the last war, the employer has to contribute liberally to such social security measures as provident fund, employees' state insurance scheme, leave with

wages, paid festival holidays, gratuity and bonus. In the case of new undertakings and expansion in the State of Maharashtra, he is required to provide housing for 40 per cent. of the labour force to beemployed by him.

5. *The Bombay Municipal Corporation Act*

Section 390 of the Act lays down that no factory can be established in the City of Bombay without the permission of the Municipal Commissioner.

6. *The Bombay Smoke Nuisance Act*

It will be necessary to comply with certain provisions of this Act before a factory is established in the City of Bombay.

7. *The Boilers Act*

The permission of the Inspector of Boilers will have to be obtained for starting a factory if a boiler is proposed to be installed.

8. *The Petroleum Act.*

Similarly, the Inspector of Explosives should give his consent if a factory intends to store any petrol or furnace oil.

The enterpriser has thus to comply with the provisions of a multitude of enactments. A good number of these measures are perhaps necessary to ensure the planned industrial development of the country, but in the interests of quick disposal and avoidance of unnecessary correspondence a single central organisation should be set up with powers to grant the required permission. Such an authority will doubtless make sure that the applicant complies with the requirements prescribed by the various enactments before granting him the necessary licences. A simplified procedure on these lines is most imperative in view of the Planning Commission's ambitious scheme for the industrialisation of the country.

APPENDIX

Inauguration by Shri Y. B. Chavan,
Chief Minister of Maharashtra.

Special Invitee—Shri S. K. Wankhede,
Minister for Finance,
Government of Maharashtra.

Director of Seminar: Shri G. L. Mehta,
Chairman, Industrial Credit and Investment Corporation of India, Bombay.

PARTICIPANTS

I. Members of the Executive Committee and the Steering Committee of the Seminar

Shri N. T. Mone,
Chief Secretary to Government of Maharashtra.

Shri G. L. Mehta,
Chairman, Industrial Credit and Investment Corporation of India, Bombay.

Shri R. S. Bhatt,
Member, Tariff Commission.

Shri O. K. Ghosh,
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Shri K. Ramkrishna Aiyar,
Financial Adviser to Government of Maharashtra,
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Shri N. D. Sahukar,
Godrej & Boyce Mfg. Co. Ltd.

Shri C. L. Gheevala,
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Dr. M. R. Mandlekar,
Director of Industries, Government of Maharashtra.

II. *Representatives of Industrial and Commercial Bodies*

Indian Merchants' Chamber,
Shri C. L. Gheevala.

All-India Manufacturers' Organisation
Shri Prabhu V. Mehta
Calico Dyeing and Printing Mills Pr. Ltd.

Shri N. H. Bhatt,
The Indian Plumbago.

Bombay Industries Association
Shri H. N. Khira,
President.

Shri R. N. Desai,
Vice President.

Shri A. K. Bhimani,
Vertex Manufacturing Co. Pr. Ltd.

Engineering Association of India (Bombay Branch)
Shri J. V. Patel,
Chairman.

Shri Bahubali Gulabchand,
Vice-Chairman.

Mahratta Chamber of Commerce and Industries
Shri B. R. Sabade,
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Dr. R. J. Rathi,
Sudarshan Chemicals Ltd.

Maharashtra Chamber of Commerce
Shri K. V. Modak
Modak Rubber Products Pr. Ltd.

Shri V. S. Joshi,
Assistant Secretary.

Shri R. G. Mahadik,
Secretary.

Shri A. T. Pathak,
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Maharashtra Economic Development Council
Shri Bharat G. Doshi
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Shri L. A. E. Colaco,
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Shri P. C. Malhotra,
Special Officer.

Industrial Finance Corporation of India
Shri V. V. Joshi,
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Bombay State Finance Corporation
Shri R. S. Pochkhanawala,
Managing Director.

Indian Banks' Association
Shri M. G. Parikh,
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Shri Utamsing,
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Shri D. Chatterjie,
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Shri V. T. Narayanan,
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Shri J. F. Muncherjee,
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Shri K. V. Seshadri,
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Shri M. W. Desai,
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Shri P. C. Nayak,
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Dr. M. R. Mandlekar,
Director of Industries.

Shri M. V. Pandit,
Industrial Statistician.

Shri N. L. Gadkari
Chief Inspector of Factories.

Shri G. M. Kolhatkar
Deputy Chief Inspector of Factories.

Shri R. A. Shaikh,
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Shri K. B. Maharao,
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Shri P. D. Kasbekar,
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Shri A. S. Joshi,
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Bombay Municipal Corporation.

VII. *Members of the Branch*

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Irrigation and Power Department.

Shri D. J. Madan,
Deputy Secretary to Govt. of Maharashtra,
Finance Department.

Shri C. S. Venugopal Rao,
Chief Accounts Officer and Deputy Secretary
to Government of Maharashtra,
Agriculture and Forest Department.

Shri K. Krishna Rao,
Member, Maharashtra Electricity Board.

Shri R. C. Raval.

VIII. *Others*

Shri B. S. Suryanarayan

Shri P. C. Randeria

Shri A. M. S. Razdan.